

Research

Markets Today

20 January 2026

Events Round-Up

CH: GDP (y/y%), Q4: 4.5 vs. 4.5 exp.
CH: GDP (q/q%), Q4: 1.2 vs. 1.1 exp.
CH: Retail sales (y/y%), Dec: 0.9 vs. 1.0 exp.
CH: Industrial production (y/y%), Dec: 5.2 vs. 5.0 exp.
CH: Fixed assets invest. (YTD, y/y%), Dec: -3.8 vs. -3.1 exp.
CA: CPI (y/y%), Dec: 2.4 vs. 2.2 exp.
CA: CPI core (avg med/trim y/y%), Dec: 2.6 vs. 2.7 exp.

Good Morning

As markets opened for the new week there was keen interest in the response to President Trump's weekend threat of new tariffs on eight European countries to persuade them to give up Greenland, alongside chatter that French President Macron was urging the EU to activate the powerful anti-coercion instrument, seen as a bazooka to hit US trade and investment into the region.

In the event, price action has been well contained so far, although US markets are closed for a holiday. In overnight developments, President Trump responded with "no comment" when asked by NBC whether he would use force to acquire Greenland and he will "100%" follow through on his threats to hit Europe with tariffs in the absence of a deal over Greenland.

German Chancellor Merz said that compared to President Macron he was less willing to unleash the anti-coercion instrument, given Germany's heavier dependence on exports. European leaders are working towards a common position before an EU summit to discuss the next steps on Thursday. There appears to be a strong consensus that Europe must respond in some form if Trump follows through with a ramp up in tariffs.

US S&P futures are down by 0.9% while Nasdaq 100 futures are down 1.1%. The Euro Stoxx 600 index closed down 1.2%, with defence stocks outperforming and IT, consumer discretionary and industrials underperforming. This is a modest reaction following a strong start to the year and leaves the index still up 2½% for 2026.

There has been even less reaction in the bond market, with insignificant changes in 10-year rates across Europe, although curves have steepened a little, with short end rates down 2-3bps as the market sees a slightly greater

chance of the ECB easing later this year. Treasury futures are down a touch from Friday's close, implying a small lift in the 10-year rate.

Gold and silver prices have been a key beneficiary of the rise in geopolitical risk, with both trading at fresh record highs. Spot gold is up 1.7% to USD4675.

In currency markets the USD has been broadly weaker, with a "Sell America" sentiment overriding the currency's usual safe-haven characteristics, with investors eyeing potential retaliation from Europe. Of the majors, the NZD has been the best performer since the weekend close, perhaps as traders look to close outstanding short positions. The NZD has trended higher from early yesterday afternoon and is currently just shy of 0.58, a gain of 0.8% from last week's close. We see 0.5850/60 as the first potential resistance level.

Key NZD crosses have all pushed higher. JPY is the weakest of the majors. Confirming prior speculation, Japan PM Takaichi officially called an early election for 8 February. She promised a temporary sales tax cut on food if she wins a fresh mandate for her new coalition. Japan's 10-year rate rose 8bps to a fresh multi-decade high of 2.25% on further fiscal fears. Rising rates and a falling currency are a sign that policy is heading in the wrong direction.

There was little market reaction to Canadian CPI data, which showed annual headline inflation surprisingly lifting two-tenths to 2.4%. The jump reflected base effects from last year's temporary federal sales tax adjustments and core inflation was slightly weaker than expected.

Yesterday, China activity data were broadly in line with expectations. Despite growth in Q4 of 4.5% y/y, stronger growth earlier in the year and base effects meant the government's target of 5% for the full year was met. The breakdown continued to strong export-led growth against sluggish domestic demand, with very weak consumer spending and contracting investment, the first full-year annual decline in decades.

Domestic rates were higher on the open, reflecting offshore moves and higher rates were sustained through the day. NZGB yields closed up 3-6bps across the curve, with high rates through the belly of the curve. The swaps market slightly underperformed, with 2-year and 10-year rates up 6bps to 3.01% and 4.13% respectively. The notable lift in domestic confidence and activity indicators

and the prospect that CPI inflation was sticky around 3% in Q4 – the data will be released on Friday – are affecting market sentiment.

In the day ahead, NZ's performance of services index is released, with interest in whether it shows the strong recovery seen in other recent activity and confidence indicators. UK labour market data tonight are expected to show further slowing in wage inflation.

The World Economic Forum has kicked off and the increased US-EU tensions will make the event more interesting than usual. President Trump's address is

scheduled for the early hours of Thursday morning, NZ time.

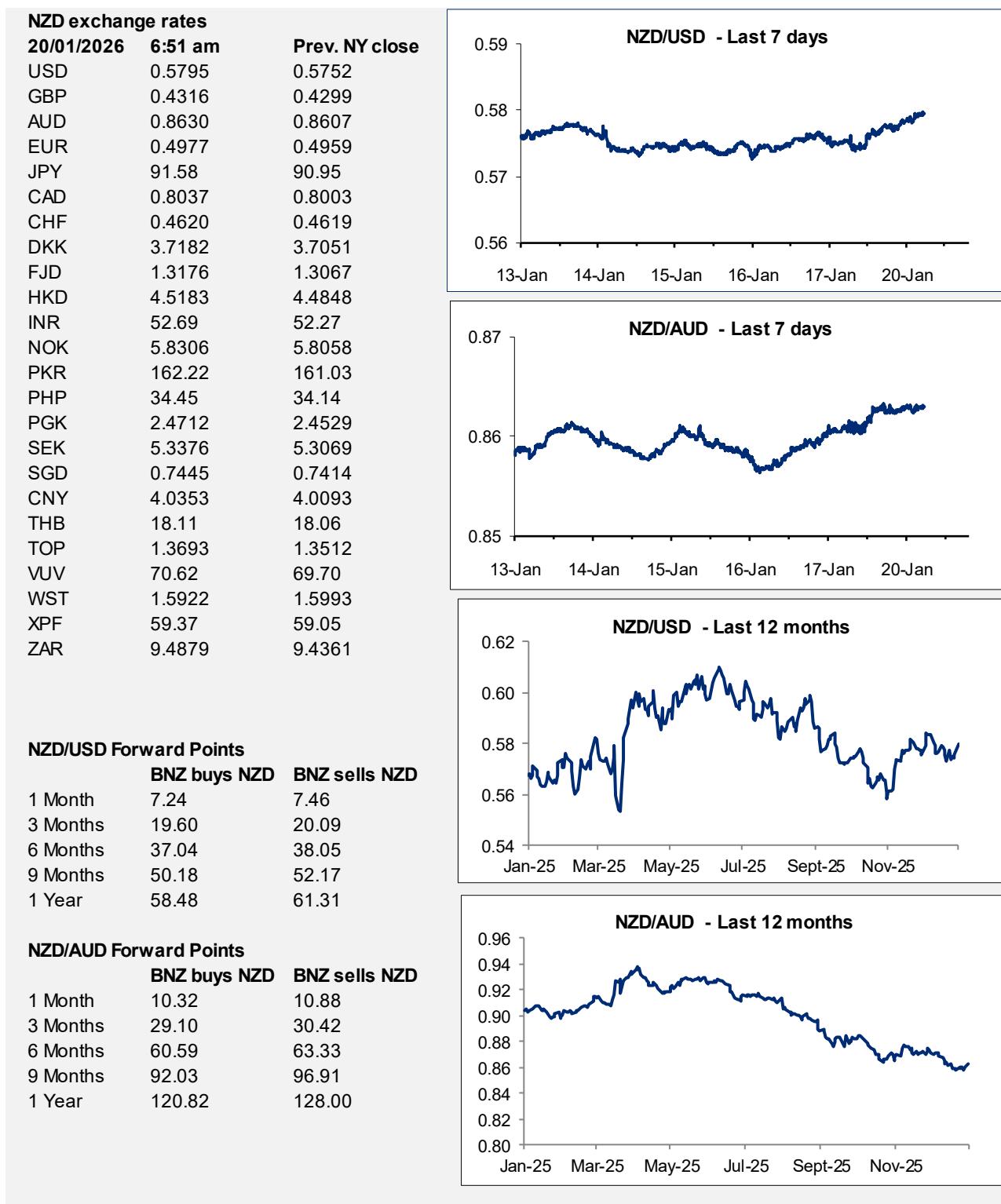
jason.k.wong@bnz.co.nz

Coming Up

		Period	Cons.	Prev.	NZT
NZ	Performance of services index	Dec		46.9	10:30
UK	Pvt earnings ex bonus (3m/y/y%)	Nov	3.7	3.9	20:00
UK	Unemployment rate (%)	Nov	5.0	5.1	20:00
GE	ZEW survey expectations	Jan	50.0	45.8	23:00

Source: Bloomberg

Currencies						Equities			Commodities		
FX Majors		Indicative overnight ranges (*)		Other FX		Major Indices			Price (Near futures, except CRB)		
	Last	% Day	Low	High		Last	% Day	% Year	Last	Net Day	
NZD	0.5795	+0.7	0.5769	0.5797	CHF	0.7974	-0.7		S&P 500	6,940	-0.1
AUD	0.6715	+0.5	0.6689	0.6717	SEK	9.206	-0.2	15.7	Dow	49,359	-0.2
EUR	1.1644	+0.4	1.1611	1.1647	NOK	10.062	-0.3	13.5	Nasdaq	23,515	-0.1
GBP	1.3428	+0.4	1.3384	1.3435	HKD	7.797	-0.0	19.8	Stoxx 50	5,926	-1.7
JPY	158.04	-0.0	157.75	158.17	CNY	6.964	-0.1	15.1	FTSE	10,195	-0.4
CAD	1.3868	-0.3			SGD	1.285	-0.3	19.9	DAX	24,959	-1.3
NZD/AUD	0.8630	+0.3			IDR	16,955	+0.4	19.4	CAC 40	8,112	-1.8
NZD/EUR	0.4977	+0.4			THB	31.23	-0.7	5.2	Nikkei	53,584	-0.7
NZD/GBP	0.4316	+0.4			KRW	1,473	-0.0	37.7	Shanghai	4,114	+0.3
NZD/JPY	91.58	+0.7			TWD	31.57	+0.0	26.9	ASX 200	8,875	-0.3
NZD/CAD	0.8037	+0.4			PHP	59.46	+0.2	6.3	NZX 50	13,580	-1.0
NZ TWI	66.69	+0.5						3.8	VIX Index	18.84	+18.8
								+19.2			
Interest Rates											
Rates		Swap Yields		Benchmark 10 Yr Bonds		NZ Government Bonds			NZ BKBM and Swap Yields		
	Cash	3Mth	2 Yr	10 Yr		Last	Net Day		Last	Chg	
USD	3.75	4.85	3.42	3.86	USD	4.22	0.00	15-Apr-27	2.75	0.03	
AUD	3.60	3.73	4.04	4.80	AUD	4.74	0.03	15-May-28	3.17	0.05	BKBM 1-mth
NZD	2.25	2.50	3.01	4.13	NZD	4.39	0.05	20-Apr-29	3.43	0.05	2.50
EUR	2.00	2.03	2.25	2.87	GER	2.84	0.00	15-May-30	3.67	0.05	1 year
GBP	3.75	4.03	3.48	4.00	GBP	4.42	0.02	15-May-31	3.90	0.06	2 year
JPY	0.74	-0.03	1.20	2.05	JPY	2.27	0.08	15-May-32	4.05	0.06	3 year
CAD	2.25	4.97	2.45	3.15	CAD	3.39	0.02	14-Apr-33	4.17	0.05	5 year
								15-May-34	4.29	0.05	7 year
Carbon Price											
Level		% Day		% Year		Policy Meeting Run			NZ Inflation-Indexed Bonds		
	NZU					NZD	AUD	USD	Sept-30	1.65	0.01
	34.55	+2.8	-45.9			1st	2.25	3.68	3.64	2.40	0.00
* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer											
Rates are as of: NZT 06:50											
Source: Bloomberg											
						2nd	2.25	3.70	3.59	2.50	0.00
						3rd	2.27	3.81	3.54	1 year	0.04
						4th	2.32	3.84	3.44	2 year	0.06
						5th	2.41	3.91	3.38	3 year	0.07
									5.12	5 year	0.07
									5.14	7 year	0.06
										4.13	10 year
										4.41	15 year



Contact Details

BNZ Research

Stephen Toplis Head of Research	Doug Steel Senior Economist	Jason Wong Senior Markets Strategist	Stuart Ritson Senior Interest Rate Strategist	Matt Brunt Economist
---	---------------------------------------	--	---	--------------------------------

Mike Jones
BNZ Chief Economist
+64 9-956 0795

Main Offices

Wellington
Level 2, BNZ Place
1 Whitmore Street
Wellington Mail Centre
Lower Hutt 5045
New Zealand
Toll Free: 0800 283 269

Auckland
80 Queen Street
Private Bag 92208
Auckland 1142
New Zealand
Toll Free: 0800 283 269

Christchurch
111 Cashel Street
Christchurch 8011
New Zealand
Toll Free: 0800 854 854

This document has been produced by Bank of New Zealand (BNZ). BNZ is a registered bank in New Zealand and is only authorised to offer products and services to customers in New Zealand.

Analyst Disclaimer: The Information accurately reflects the personal views of the author(s) about the securities, issuers and other subject matters discussed, and is based upon sources reasonably believed to be reliable and accurate. The views of the author(s) do not necessarily reflect the views of the NAB Group. No part of the compensation of the author(s) was, is, or will be, directly or indirectly, related to any specific recommendations or views expressed.

BNZ maintains an effective information barrier between the research analysts and its private side operations. Private side functions are physically segregated from the research analysts and have no control over their remuneration or budget. The research functions do not report directly or indirectly to any private side function. The Research analyst might have received help from the issuer subject in the research report.

New Zealand: The information in this publication is provided for general information purposes only, and is a summary based on selective information which may not be complete for your purposes. This publication does not constitute any advice or recommendation with respect to any matter discussed in it, and its contents should not be relied on or used as a basis for entering into any products described in it. Bank of New Zealand recommends recipients seek independent advice prior to acting in relation to any of the matters discussed in this publication.

Any statements as to past performance do not represent future performance, and no statements as to future matters are guaranteed to be accurate or reliable.

Neither Bank of New Zealand nor any person involved in this publication accepts any liability for any loss or damage whatsoever which may directly or indirectly result from any advice, opinion, information, representation or omission, whether negligent or otherwise, contained in this publication.

USA: If this document is distributed in the United States, such distribution is by nabSecurities, LLC. This document is not intended as an offer or solicitation for the purchase or sale of any securities, financial instrument or product or to provide financial services. It is not the intention of nabSecurities to create legal relations on the basis of information provided herein.