

Research Markets Today

21 January 2026

Events Round-Up

NZ: Performance of services index, Dec: 51.5 vs. 47.2 prev.

UK: Pvt earnings ex bonus (3m/y/y%), Nov: 3.6 vs. 3.7 exp.

UK: Unemployment rate (%), Nov: 5.1 vs. 5.1 exp.

GE: ZEW survey expectations, Jan: 59.6 vs. 50.0 exp.

Good Morning

The fallout from rising US-EU political relations over the future of Greenland continues to reverberate through markets, with a meltdown in Japan's bond market thrown into the mix. Global equity markets are weaker, global rates are higher, and the USD is broadly weaker. The NZD has become a safe-haven (lol), appreciating further to 0.5850 and up on most key crosses.

Trump's desire to acquire Greenland remains a key focus of attention for the market. In overnight developments, Trump said that "there can be no going back" on his plan and he had agreed to a meeting of the various parties in Davos. Trump has been active on social media, not in a nice way, while EC President von der Leyen said that Europe would respond in an "unflinching, united and proportional" way to US pressure and that Greenland's sovereignty was "non-negotiable".

Reopening after the long weekend, US equities are weaker. In early afternoon trading, the S&P500 is down 1.6%, with IT, consumer discretionary and industrials underperforming. The Euro Stoxx 600 index fell 0.7% following up on yesterday's 1.2% decline.

Global rates are higher across the board, with no sign of a safe-haven bid against a backdrop of weaker risk appetite. This has been some spillover in global markets from a further meltdown in Japan's JGB market.

Japanese long-term rates extended recent rises to record highs. An auction of 20-year debt wasn't well received and the 10-year rate rose 9bps to 2.35%, taking the rise this year to about 30bps. The 40-year rate exploded up 29bps to 4.23%, taking its rise this year to over 60bps. Pre-existing concerns about the path of fiscal policy were added to this week after PM Takaichi pledged to cut an 8% sales tax on food and beverages for two years if she won a fresh mandate at the 8 February election, without

indicating how the policy, costing at about 5 trillion yen, would be paid.

At Davos overnight, Japan Finance Minister Katayama called for the market to calm down, suggesting that the government would consider financing options for the tax cut measure and providing evidence that the government's fiscal policy was responsible and sustainable.

US Treasury yields were higher from the Asia open yesterday and trended up through the session, only finding support after the 10-year rate breached 4.30%. It currently sits at 4.27% up a couple of basis points from the NZ close. The curve is steeper, with short-end rates well grounded.

The Danish pension fund AkademikerPension said it is planning to exit US Treasuries by the end of the month, with the CIO telling Bloomberg that the US is not a good credit, long-term the US government finances are not sustainable, and a weaker USD justifies the move. The move follows other Danish pension funds that have recently sold down US Treasuries. This story likely only got some attention because of market chatter this week that Europe could use the threat of selling US assets as leverage over Trump's ambitions to seize Greenland.

In currency markets, the USD is broadly weaker, with the DXY index down 0.9% for the day, again a sell America sentiment overwhelming its usual safe-haven characteristics. In fact, throughout this period of market angst, the NZD is proving to be a safe-haven, extending its lead at the top of the leaderboard for year-to-date performance for the majors. Domestic factors, such as convincing signs of an economic recovery taking hold and the likelihood of this Friday's Q4 CPI data showing sticky inflation around 3% have added to NZD support.

The NZD traded just over 0.5850 overnight, reaching the resistance level we suggested in yesterday's report. NZD crosses are all higher for the day. NZD/EUR traded above 0.50 for the first time since September although it has pulled back a little overnight. NZD/AUD has pushed up to 0.8670 while NZD/GBP is approaching 0.4350. The JPY remains a clear underperformer on concerns over the trajectory of policy. NZD/JPY pierced up through 92 and peaked at 92.5, its highest level since mid-2024.

In economic news, UK labour market data were on the softer side of expectations, with payrolled employees

down 43k in December, suggesting job cuts at their fastest pace since 2020, while wage inflation continued to moderate. The key private sector earnings figure excluding bonuses rose 3.6% y/y, the lowest inflation in five years. The data had little impact on BoE policy expectations, with the next 25bps rate cut not fully priced until June.

There was a chance of the US Supreme Court releasing its ruling on the legality of Trump's tariffs today, but that opportunity passed and now the court prepares for a four-week recess. This means the earliest possible day for a ruling is now 20 February.

Domestic rates climbed higher yesterday, reflecting a mix of global and domestic forces. NZGB rates were up 2-5bps across the curve, with more upside pressure at the shorter end of the curve. In the swaps market the 2-year rate rose 5bps to 3.06% while the 10-year rate rose 4bps to 4.17%. A sharp lift in the PSI added to the thematic of a rebound in NZ economic activity and, combined inflation likely tracking higher than the RBNZ projected, the market

continues to focus on the timing of the first rate hike for the cycle.

On the economic calendar, UK CPI data will be released tonight, with the consensus expecting a small lift in annual inflation figures for December across the key headline, core and services metrics.

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Coming Up

		Period	Cons.	Prev.	NZT
UK	CPI (y/y%)	Dec	3.3	3.2	20:00
UK	CPI core (y/y%)	Dec	3.3	3.2	20:00
UK	CPI services (y/y%)	Dec	4.6	4.4	20:00
US	Pending home sales (m/m%)	Dec	-0.5	3.3	04:00

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		Last	% Day	% Year		Last	Net Day			
NZD	0.5842	+0.7	0.5825	0.5851	CHF	0.7893	-1.0	S&P 500	6,840	-1.4	14.1	Oil (Brent)	64.85	+1.4			
AUD	0.6740	+0.4	0.6724	0.6747	SEK	9.116	-1.0	Dow	48,682	-1.4	11.9	Oil (WTI)	60.51	+1.7			
EUR	1.1733	+0.7	1.1662	1.1768	NOK	9.980	-0.8	Nasdaq	23,105	-1.7	17.7	Gold	4758.7	+3.6			
GBP	1.3460	+0.2	1.3426	1.3491	HKD	7.799	+0.0	Stoxx 50	5,892	-0.6	14.1	HRC steel	940.0	-0.1			
JPY	157.95	-0.1	157.48	158.60	CNY	6.961	-0.1	FTSE	10,127	-0.7	18.9	CRB	302.1	+0.1			
CAD	1.3831	-0.3			SGD	1.283	-0.1	DAX	24,703	-1.0	17.7	Wheat Chic.	522.5	-1.2			
NZD/AUD	0.8668	+0.3			IDR	16,956	+0.0	CAC 40	8,063	-0.6	4.3	Sugar	14.72	-1.5			
NZD/EUR	0.4979	+0.0			THB	31.02	-0.6	Nikkei	52,991	-1.1	35.8	Cotton	64.56	-0.2			
NZD/GBP	0.4340	+0.5			KRW	1,479	+0.4	Shanghai	4,114	-0.0	26.8	Coffee	346.1	-2.6			
NZD/JPY	92.27	+0.6			TWD	31.61	+0.1	ASX 200	8,816	-0.7	4.9	WM powder	3420	+1.0			
NZD/CAD	0.8080	+0.5			PHP	59.47	+0.0	NZX 50	13,574	-0.0	4.0	Australian Futures					
NZ TWI	67.14	+0.6						VIX Index	19.57	+3.9	+23.8	3 year bond	95.80	-0.04			
Interest Rates															10 year bond	95.18	-0.03
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		Last	Chg				
USD	3.75	4.85	3.42	3.89	USD	4.27	0.05					BKBM 1-mth	2.40	0.00			
AUD	3.60	3.73	4.05	4.83	AUD	4.78	0.04	15-May-28	3.22	0.05		BKBM 3-mth	2.51	0.00			
NZD	2.25	2.51	3.06	4.17	NZD	4.52	0.04	20-Apr-29	3.48	0.05		1 year	2.70	0.03			
EUR	2.00	2.03	2.23	2.88	GER	2.86	0.02	15-May-30	3.72	0.05		2 year	3.06	0.05			
GBP	3.75	4.02	3.49	4.05	GBP	4.46	0.04	15-May-31	3.94	0.04		3 year	3.31	0.05			
JPY	0.73	-0.03	1.21	2.10	JPY	2.36	0.09	15-May-32	4.10	0.04		5 year	3.67	0.05			
CAD	2.25	4.97	2.44	3.16	CAD	3.41	0.03	14-Apr-33	4.21	0.04		7 year	3.91	0.05			
Carbon Price						Policy Meeting Run		15-May-34	4.32	0.04		10 year	4.17	0.04			
								15-May-35	4.43	0.04		15 year	4.44	0.03			
								15-May-36	4.52	0.03		NZ Inflation-Indexed Bonds					
								15-May-37	4.62	0.02		Sept-30	1.66	0.00			
* These are indicative ranges from 5pm NZT;						2nd 2.27 3.71 3.59		15-May-41	4.89	0.02		Sept-35	2.46	0.00			
please confirm rates with your BNZ dealer						3rd 2.32 3.83 3.54		15-May-51	5.14	0.02		Sept-40	2.88	0.01			
Rates are as of: NZT 06:58						4th 2.38 3.84 3.44		15-May-54	5.16	0.02							
Source: Bloomberg						5th 2.50 3.91 3.37											

NZD exchange rates

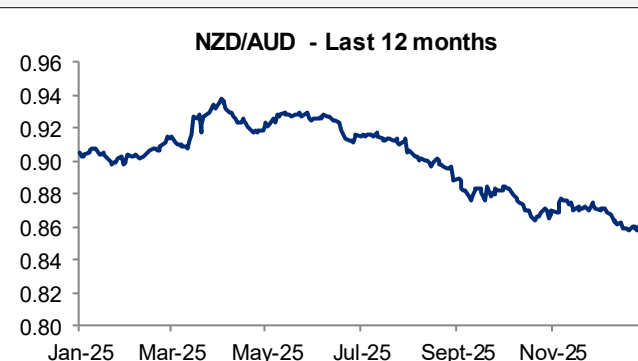
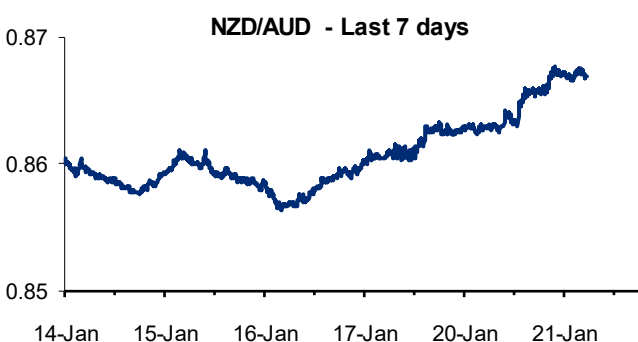
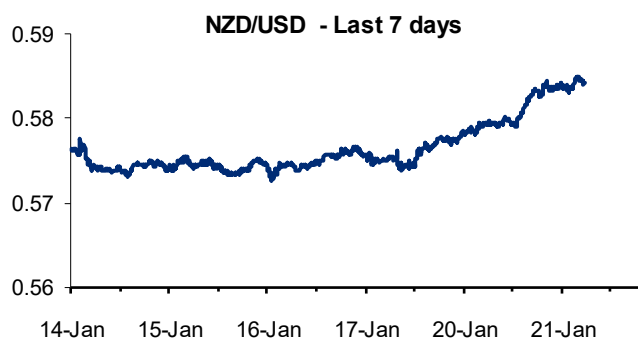
21/01/2026 6:59 am		Prev. NY close
USD	0.5842	0.5799
GBP	0.4340	0.4320
AUD	0.8668	0.8637
EUR	0.4979	0.4979
JPY	92.27	91.69
CAD	0.8080	0.8043
CHF	0.4613	0.4625
DKK	3.7209	3.7202
FJD	1.3291	1.3171
HKD	4.5607	4.5214
INR	53.20	52.72
NOK	5.8278	5.8340
PKR	163.71	162.34
PHP	34.77	34.48
PGK	2.4949	2.4729
SEK	5.3272	5.3393
SGD	0.7503	0.7452
CNY	4.0707	4.0385
THB	18.17	18.12
TOP	1.3799	1.3696
VUV	70.86	70.70
WST	1.6124	1.6019
XPF	59.66	59.41
ZAR	9.5942	9.5004

NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	7.14	7.34
3 Months	19.75	20.15
6 Months	37.14	38.14
9 Months	50.06	51.92
1 Year	57.55	59.94

NZD/AUD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	10.06	10.49
3 Months	29.35	30.38
6 Months	61.15	63.67
9 Months	92.45	96.91
1 Year	120.54	126.70



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