

Market Alert

Friday 16 July 2021

CURRENCIES	Spot	6mths
NZD/USD	0.6976	-0.0012
NZD/AUD	0.9403	-0.0024
NZD/JPY	76.60	-0.29
NZD/EUR	0.5907	-0.0034
NZD/GBP	0.5049	-0.0012
NZD/CNH	4.5077	0.0521
AUD/USD	0.7419	0.0006
AUD/EUR	0.6282	-0.0020
EUR/USD	1.1810	0.0048
USD/CNH	6.4618	0.0862
GBP/USD	1.3818	0.0008
EUR/GBP	0.8546	0.0029

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.41%	0.03%
2 year swap	1.04%	0.24%
10 year Govt	1.75%	1.29%

It's good, but not from a historical perspective

We find it interesting to note that while most developed countries are seeing unemployment rates fall to exceedingly low levels while employers struggle to fill positions, 360,000 Americans claimed unemployment benefits last week, while the previous week was revised up to 386,000. Yes, it is a new post-pandemic low, but initial claims are still running at almost double the pre COVID-19 numbers.

In other US releases, industrial production increased 0.4% in June, below May's downwardly revised 0.7%, while

the price for imports advanced 1.0% on the month.

There was also a fair bit of data from China yesterday, so let's knock it out. Chinese Q2 GDP exceeded expectations at +1.3% against the +1.2% forecast and Q1's +0.6%, while industrial production jumped +8.3% on the year.

Retail sales grew at +12.1%, and fixed assets (excluding rural) jumped 12.6%. Finally, if house prices are an issue in Auckland, we can always buy a house in China after its housing data showed growth slowed in June rising at a 'modest' +0.5% on the month and +4.7% on the year.

The real market mover was Fed Chair, Jerome Powell, in his second testimony in Capitol Hill. Mr Powell defended the central bank's stance in supporting the economy, even as inflation runs at uncomfortable levels, stating *"this is a shock going through the system associated with the reopening of the economy, and it's driven inflation well above 2.0%, and of course, we're not comfortable with that."*

The price developments are *"unique"* in history and we're watching closely to see whether it is transitory as *"we're really trying to understand the base case and the risks."* Chicago Fed President, Charles Evans, was also on the newswires stating, *"I don't think we've made sufficient progress yet to taper. Slightly more persistent inflation would not be a bad thing, but hard to see it at 2.5-3.0%. I expect the first rate hike in early 2024."*

With Fed Chair, Jerome Powell, maintaining his bearish tone, stocks declined and yields tumbled as the Treasury bond fell to 1.29% and the bund eased to -0.33%. The EUR sold-off -0.25%, but the AUD and NZD were hit harder to be down -0.80% and -0.85%, 0.7360 and 0.6925 are shaping up to be key support levels.

And the rest

Australia produced another strong jobs report, adding +29,100 jobs, which saw the unemployment rate fall below the psychological 5.0% level to 4.9%. Even more impressive was the fact that +51,600 full-time jobs were added, while part-time employment contracted by -22,500. The participation rate was unchanged at 66.2%. Australian consumer inflation expectations for July contracted to +3.7% from June's +4.4%.

New Zealand Prime Minister, Jacinda Ardern, was 'flashing-the-cash' at the local government conference in Blenheim, dangling a NZD2.5 billion dollar carrot to incentivise councils to support the Governments proposed water reforms.

BoE Governor, Andrew Bailey, gave an interview denying they are being "casual" about inflation stating *"we will not be rushed into raising rates despite rising inflation. We need to go through all evidence to assess to what extent it is likely to be transitory."*



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Daily Rates

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FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	73.99					CAD	0.8793	0.9351
NZD/USD	0.6976	-0.0001	-0.0004	-0.0012	-0.0039	CHF	0.6404	0.6810
NZD/AUD	0.9403	-0.0002	-0.0009	-0.0024	-0.0061	CNY	4.5159	4.8026
NZD/JPY	76.60	-0.02	-0.10	-0.29	-0.73	DKK	4.3933	4.6722
NZD/EUR	0.5907	-0.0004	-0.0014	-0.0034	-0.0078	FJD	1.4511	1.5433
NZD/GBP	0.5049	-0.0001	-0.0004	-0.0012	-0.0029	HKD	5.4187	5.7627
						KRW	796.18	846.73
AU TWI	62.40					MYR	2.9520	3.1394
AUD/USD	0.7419	0.0001	0.0003	0.0006	0.0007	NOK	6.1578	6.5487
AUD/NZD	1.0635	0.0002	0.0010	0.0028	0.0070	SEK	6.0463	6.4301
AUD/JPY	81.46	-0.01	-0.03	-0.10	-0.25	SGD	0.9449	1.0049
AUD/EUR	0.6282	-0.0003	-0.0009	-0.0020	-0.0042	TWD	19.59	20.83
AUD/GBP	0.5369	0.0000	0.0001	0.0001	0.0004	ZAR	10.1751	10.8211
USD Index	92.60							
EUR/USD	1.1810	0.0007	0.0022	0.0048	0.0092	EQUITIES		
USD/JPY	109.80	-0.03	-0.08	-0.22	-0.44		Index	
GBP/USD	1.3818	0.0001	0.0003	0.0008	0.0003	NZX50	12,671	
EUR/GBP	0.8546	0.0005	0.0014	0.0029	0.0064	ASX200	7,336	
						Dow Jones	34,969	
INTEREST RATES								
		New Zealand		Australia				
		Borrow	Invest	Borrow	Invest			
30 day bank bills		0.33%	0.29%	0.00%	0.02%	S&P 500	4,357	
90 day bank bills		0.43%	0.39%	0.05%	0.01%	FTSE100	7,012	
FRA 90d in 3mths		0.71%	0.68%	0.06%	0.03%	DAX 30	15,630	
FRA 180d in 6mths		0.99%	0.96%	0.14%	0.12%	Nikkei	28,279	
1 year swap		0.77%	0.75%	0.08%	0.06%	COMMODITIES		
2 year swap		1.05%	1.03%	0.25%	0.23%		USD	
3 year swap		1.24%	1.22%	0.43%	0.42%	Dubai Light	73.39	
5 year swap		1.49%	1.47%	0.82%	0.72%	Brent Crude	73.34	
10 year swap		1.86%	1.84%	1.39%	1.38%	Gold	1,827.73	
10 year Govt bond			1.73%		1.29%	Silver	26.31	
						CRB Index	225.57	

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