

Market Alert

Monday 19 July 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7001	-0.0014
NZD/AUD	0.9456	-0.0027
NZD/JPY	77.04	-0.31
NZD/EUR	0.5928	-0.0036
NZD/GBP	0.5080	-0.0013
NZD/CNH	4.5344	0.0511
AUD/USD	0.7403	0.0006
AUD/EUR	0.6268	-0.0020
EUR/USD	1.1810	0.0048
USD/CNH	6.4774	0.0862
GBP/USD	1.3783	0.0008
EUR/GBP	0.8568	0.0030

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.46%	0.02%
2 year swap	1.09%	0.26%
10 year Govt	1.75%	1.28%

What, OPEC has actually agreed on something?

Yes, that's right! OPEC+ has, finally, reached a deal to raise oil production adding 400,000 barrels a day from August through to the end of the year. This increase in production should, theoretically, ease the price and dampen 'oil-inflation' across the developed countries. West Texas Intermediate closed the week out at USD71.43 while Brent was at USD73.13.

New Zealand inflation is running red hot after Friday's Q2 CPI printed at

1.3% on the quarter against an expected 0.8%, and 3.3% on the year against an expected 2.8%. This, quite naturally, let the proverbial fox loose in the chicken coop with one of the local banks now forecasting 3 rate hikes from the RBNZ by the end of this year while a second has the RBNZ cash rate hike cycle tracking for 1.75% by the end of 2022. Whoa! Can you please pass that funny smelling 'cigarette' this way? But, before we get too carried away, the RBNZ's 'Sectoral Factor Model Inflation Gauge,' the central bank's core inflation measure, printed at 'just' 2.2%, up from Q1's 2.0% and still within their 1-3% band, while Stats NZ cautioned that part of the large annual increase was due to the drop-out of the COVID-19 related -0.5% fall in the June 2020 quarter.

Interestingly, while input pressures are rising, the local manufacturing sector is continuing to expand after the New Zealand *Performance of Manufacturing Index* (PMI) rose nearly two points to 60.7 in June, marking 6 months of continued expansion above its long term average of 53.2.

In the USA, University of Michigan's consumer sentiment dropped to a 5 month low of 80.8 in July, from 85.5 in June and missing market expectations of 86.5. Busine Finally, in the Eurozone, all of the major European bourses closed in negative territory on Friday, with the German index, the DAX notching,

its worst week in a month as investors weighed concerns over a rise in inflation and COVID-19 waves. Unfortunately, the weekend flooding will see German GDP take a hit, as will be the case on the west coast of New Zealand. Ironically, often these kinds of natural disasters have a positive impact on longer term GDP growth due to the rebuilding of homes and infrastructure going forward.

Equity markets in the US traded as per their European counterparts, in negative territory, while bond yields continued their descent with the US 10 year at 1.29%, the bund at -0.35%, while their Australian and New Zealand equivalents are at 1.29% and 1.76% respectively. Interestingly, the currency markets are still trading cautiously against the New Zealand interest rate story with the NZD at 0.7000 even though the futures markets are pricing in a 92% chance of a hike in August and 3 rate full hikes by April 2022.

What's going on in Australia?

I tried to find some Australian news, but the only thing I could find was that Katie Hopkins has been kicked-out of "Big Brother."



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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	74.38					CAD	0.8828	0.9335
NZD/USD	0.7001	-0.0001	-0.0004	-0.0014	-0.0043	CHF	0.6433	0.6803
NZD/AUD	0.9456	-0.0002	-0.0010	-0.0027	-0.0067	CNY	4.5461	4.8076
NZD/JPY	77.04	-0.02	-0.11	-0.31	-0.79	DKK	4.4091	4.6627
NZD/EUR	0.5928	-0.0004	-0.0015	-0.0036	-0.0082	FJD	1.4598	1.5438
NZD/GBP	0.5080	-0.0001	-0.0004	-0.0013	-0.0033	HKD	5.4383	5.7511
						KRW	797.74	843.63
AU TWI	62.20					MYR	2.9588	3.1290
AUD/USD	0.7403	0.0001	0.0003	0.0006	0.0007	NOK	6.1927	6.5489
AUD/NZD	1.0575	0.0002	0.0011	0.0030	0.0076	SEK	6.0721	6.4214
AUD/JPY	81.46	-0.01	-0.03	-0.10	-0.25	SGD	0.9498	1.0044
AUD/EUR	0.6268	-0.0003	-0.0009	-0.0020	-0.0042	TWD	19.68	20.81
AUD/GBP	0.5371	0.0000	0.0001	0.0001	0.0004	ZAR	10.0772	10.6569
USD Index	92.69							
EUR/USD	1.1810	0.0007	0.0022	0.0048	0.0092	EQUITIES		
USD/JPY	110.04	-0.03	-0.08	-0.22	-0.45			Index
GBP/USD	1.3783	0.0001	0.0003	0.0008	0.0004	NZX50		12,673
EUR/GBP	0.8568	0.0005	0.0014	0.0030	0.0064	ASX200		7,348
						Dow Jones		34,688
INTEREST RATES								
		New Zealand		Australia				
		Borrow	Invest	Borrow	Invest	S&P 500		4,327
30 day bank bills		0.33%	0.29%	0.00%	0.02%	FTSE100		7,008
90 day bank bills		0.48%	0.44%	0.04%	0.00%	DAX 30		15,540
FRA 90d in 3mths		0.73%	0.70%	0.06%	0.03%	Nikkei		28,003
FRA 180d in 6mths		1.08%	1.05%	0.15%	0.13%	COMMODITIES		
1 year swap		0.85%	0.83%	0.09%	0.07%			USD
2 year swap		1.10%	1.08%	0.27%	0.25%	Dubai Light		73.22
3 year swap		1.28%	1.26%	0.45%	0.43%	Brent Crude		73.59
5 year swap		1.51%	1.49%	0.82%	0.75%	Gold		1,811.52
10 year swap		1.87%	1.85%	1.40%	1.40%	Silver		25.64
10 year Govt bond			1.73%		1.28%	CRB Index		225.93

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