

Market Alert

Tuesday 20 July 2021

CURRENCIES	Spot	6mths
NZD/USD	0.6931	-0.0012
NZD/AUD	0.9448	-0.0025
NZD/JPY	75.88	-0.29
NZD/EUR	0.5875	-0.0034
NZD/GBP	0.5071	-0.0012
NZD/CNH	4.5025	0.0551
AUD/USD	0.7336	0.0006
AUD/EUR	0.6218	-0.0020
EUR/USD	1.1798	0.0048
USD/CNH	6.4954	0.0914
GBP/USD	1.3669	0.0009
EUR/GBP	0.8631	0.0030

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.47%	0.03%
2 year swap	1.06%	0.22%
10 year Govt	1.72%	1.25%

Remember when COVID-19 was a thing

There wasn't much data of note overnight, so let's start with something controversial from the US President.

Joe Biden said he believes the COVID-19 related surge in US inflation is temporary and that he has told Fed Chair, Jerome Powell, that he respects the central bank's independence as the Fed "should take whatever steps it deems necessary to support a strong, durable economic recovery." Well, that's not really controversial ... maybe we should bring back a certain Mr Trump?

According to the US National Bureau of Economic Research's business, the COVID-19 induced 2020 recession ended after just two months as "all key indicators of employment and production point clearly to April 2020 as the month of the trough." This would make the COVID-19 recession the shortest downturn on record.

There is a good piece in the Wall Street Journal ("WSJ") stating that many of China's factories are taking a hit on rising input prices, but they aren't passing these increases through to consumers.

China's producer price index jumped to a near 13-year high in May, before edging down slightly in June, heavily skewed by higher import prices of oil and other commodities.

These higher input costs haven't been passed on to consumers as the country's consumer inflation has stayed well below the official target of 3.0%.

In other Chinese news, the government approved 40 fixed-asset investment projects in H1 2021, which will do absolutely nothing to slow down commodity prices in the coming months.

And in another WSJ article, they warned that the planned RBA bond tapering programme will be delayed if Sydney is still in lockdown in mid-to-late August. The NAB CEO, Ross McEwan, has warned there are a rising number of customers facing financial stress with "about a 10 per cent increase so far."

In the UK, the good news is 'Freedom Day' but, new daily cases of COVID-19 are surging back above the 50,000 level with the UK's chief scientific advisor stating "60% of UK hospital COVID-19 admissions having had two doses of the vaccine" ... before amending this four hours later to "about 60% of hospitalisations from COVID-19 are not from double vaccinated people." Oop's!

New Zealand services PMI for June printed at 58.6, which was above May's 56.1, while European construction output rose 13.6% in the year to May.

Overnight, stocks fell aggressively on concerns the rebound in COVID-19 cases would slow the global economic growth. In a sign of further weakness, the selling picked up as the session went on while the 10-year Treasury yield fell to a new five-month low of 1.18%. Commodities didn't fare any better with oil down almost 8.0% following on from the OPEC+ decision, which should have a drag effect on global inflation which saw the 'commodity' currencies take a hit with the NZD/USD and the AUD/USD both down 1.0%.

That's a bit sneaky

Johnson & Johnson is exploring a plan to offload liabilities from its widespread Baby Powder litigation into a newly created business that would then seek bankruptcy protection, according to people familiar with the matter.



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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	73.85					CAD	0.8834	0.9350
NZD/USD	0.6931	0.0000	-0.0004	-0.0012	-0.0039	CHF	0.6363	0.6735
NZD/AUD	0.9448	-0.0002	-0.0009	-0.0025	-0.0063	CNY	4.5054	4.7686
NZD/JPY	75.88	-0.02	-0.10	-0.29	-0.74	DKK	4.3693	4.6246
NZD/EUR	0.5875	-0.0004	-0.0014	-0.0034	-0.0079	FJD	1.4543	1.5393
NZD/GBP	0.5071	-0.0001	-0.0004	-0.0012	-0.0031	HKD	5.3855	5.7001
						KRW	795.41	841.88
AU TWI	61.80					MYR	2.9415	3.1133
AUD/USD	0.7336	0.0001	0.0003	0.0006	0.0007	NOK	6.2080	6.5706
AUD/NZD	1.0584	0.0002	0.0010	0.0028	0.0071	SEK	6.0229	6.3748
AUD/JPY	80.31	-0.01	-0.03	-0.10	-0.25	SGD	0.9453	1.0005
AUD/EUR	0.6218	-0.0003	-0.0009	-0.0020	-0.0042	TWD	19.53	20.67
AUD/GBP	0.5367	0.0000	0.0001	0.0001	0.0003	ZAR	10.1029	10.6931
USD Index	92.85							
EUR/USD	1.1798	0.0008	0.0022	0.0048	0.0093	EQUITIES		
USD/JPY	109.49	-0.03	-0.08	-0.23	-0.45			Index
GBP/USD	1.3669	0.0001	0.0003	0.0009	0.0006	NZX50		12,652
EUR/GBP	0.8631	0.0005	0.0014	0.0030	0.0064	ASX200		7,286
						Dow Jones		33,963
						S&P 500		4,241
						FTSE100		6,844
						DAX 30		15,133
						Nikkei		27,653
						COMMODITIES		
								USD
						Dubai Light		70.46
						Brent Crude		68.36
						Gold		1,811.62
						Silver		25.12
						CRB Index		218.49

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	0.34%	0.30%	0.02%	0.02%
90 day bank bills	0.49%	0.45%	0.05%	0.01%
FRA 90d in 3mths	0.80%	0.77%	0.06%	0.03%
FRA 180d in 6mths	1.00%	1.01%	0.14%	0.12%
1 year swap	0.78%	0.76%	0.08%	0.05%
2 year swap	1.07%	1.05%	0.26%	0.19%
3 year swap	1.24%	1.22%	0.41%	0.36%
5 year swap	1.47%	1.45%	0.76%	0.67%
10 year swap	1.82%	1.80%	1.29%	1.27%
10 year Govt bond		1.70%		1.25%

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