

# Market Alert

Wednesday 21 July 2021

CURRENCIES	Spot	6mths
NZD/USD	0.6919	-0.0011
NZD/AUD	0.9438	-0.0024
NZD/JPY	75.99	-0.29
NZD/EUR	0.5872	-0.0034
NZD/GBP	0.5076	-0.0012
NZD/CNH	4.4885	0.0570
AUD/USD	0.7331	0.0006
AUD/EUR	0.6222	-0.0020
EUR/USD	1.1782	0.0049
USD/CNH	6.4877	0.0931
GBP/USD	1.3630	0.0009
EUR/GBP	0.8644	0.0030

  

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.46%	0.02%
2 year swap	1.00%	0.22%
10 year Govt	1.63%	1.18%

## Let the games begin!

The RBA's July meeting minutes were released yesterday and, to sum it up quickly, rate hikes were up for discussion with the RBA acknowledging that the "faster-than-expected recovery in economic conditions over the course of 2021 had widened the range of alternative plausible scenarios," however concluded that "the Bank's central scenario implied that the conditions for an increase in the cash rate would not be met until 2024." The RBA did however decide to extend its current bond buying programme to at least mid-November but, will reduce

the amount purchased to AUD 4 billion a week from the current AUD 5 billion, reiterating that "economic outcomes had been materially better than earlier expected and the outlook had improved." The cash rate was unchanged at the record low of 0.10%, as expected. Okay, so it wasn't that quick!

With all this talk of a fast economic recovery, let's hope Australia can bounce back again now that the Victorian lockdown has been extended a week after 13 new cases were reported, and South Australia enters lockdown for 7 days after five cases of the COVID-19 delta strain were identified.

The AUD (and risk currencies generally) continued to suffer on the back of delta concerns. The AUD/USD slipped to a low of 0.7300, before finding some respite as global equities pared some of their losses on Tuesday. The NZD/USD touched its lowest level since November 2020 (0.6881) and was not helped by a fall in the GDT auction overnight (-2.9%), its seventh straight fall.

The PBoC left its loan prime rate unchanged at 3.85% and the five year rate at 4.65% for the fifteenth straight month despite growing expectations for a cut after the central bank lowered the reserve requirement ratio. This took effect starting from 15 July, releasing around CNY 1 trillion to support the economic recovery.

Japan's CPI rose 0.2% in the June year, in line with expectations and up from last month's -0.1%. This was the first positive print since August last year with the main driver being an acceleration in vaccinations. Despite this, Japanese equities declined for a fifth-straight day amid COVID-19 concerns. It is a bit concerning that ahead of the Olympics, starting on Friday, a US gymnast has tested positive along with more than two dozen others including coaches, athletes, referees and other officials. Let the games begin!

Singapore tightened restrictions after reporting the highest number of locally transmitted cases in nearly a year. Only a maximum of two patrons will be allowed to dine together in restaurants, down from five. Restrictions are set to remain until 8 August and do not apply to those who are fully vaccinated.

## The case study of irrationality?

A selloff in Bitcoin has pushed it below USD30,000 for the first time in a month, quick, now's the time to buy! Unless of course you believe Magellan founder, Hamish Douglass, who came out saying "it is inevitable crypto crashes to zero" and that crypto is "one of the greatest irrationalities I've seen in a very, very, long period of time".



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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	73.70					CAD	0.8771	0.9293
NZD/USD	0.6919	-0.0001	-0.0004	-0.0011	-0.0036	CHF	0.6374	0.6753
NZD/AUD	0.9438	-0.0002	-0.0009	-0.0024	-0.0059	CNY	4.4867	4.7538
NZD/JPY	75.99	-0.02	-0.10	-0.29	-0.72	DKK	4.3680	4.6281
NZD/EUR	0.5872	-0.0004	-0.0014	-0.0034	-0.0077	FJD	1.4502	1.5366
NZD/GBP	0.5076	-0.0001	-0.0004	-0.0012	-0.0029	HKD	5.3772	5.6973
						KRW	795.85	843.24
AU TWI	61.40					MYR	2.9415	3.1166
AUD/USD	0.7331	0.0001	0.0003	0.0006	0.0007	NOK	6.2302	6.6012
AUD/NZD	1.0595	0.0002	0.0010	0.0027	0.0066	SEK	6.0182	6.3766
AUD/JPY	80.51	-0.01	-0.03	-0.10	-0.26	SGD	0.9451	1.0014
AUD/EUR	0.6222	-0.0003	-0.0009	-0.0020	-0.0043	TWD	19.40	20.56
AUD/GBP	0.5378	0.0000	0.0001	0.0001	0.0003	ZAR	10.1279	10.7310
USD Index	92.96							
EUR/USD	1.1782	0.0007	0.0022	0.0049	0.0093	<b>EQUITIES</b>		
USD/JPY	109.84	-0.03	-0.09	-0.23	-0.46			<b>Index</b>
GBP/USD	1.3630	0.0001	0.0003	0.0009	0.0006	NZX50		12,651
EUR/GBP	0.8644	0.0005	0.0014	0.0030	0.0065	ASX200		7,252
						Dow Jones		34,534
						S&P 500		4,331
						FTSE100		6,881
						DAX 30		15,216
						Nikkei		27,388
						<b>COMMODITIES</b>		
								<b>USD</b>
						Dubai Light		70.46
						Brent Crude		69.62
						Gold		1,809.86
						Silver		24.94
						CRB Index		222.11

  

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	0.33%	0.29%	0.02%	0.02%
90 day bank bills	0.48%	0.44%	0.04%	0.00%
FRA 90d in 3mths	0.74%	0.71%	0.06%	0.03%
FRA 180d in 6mths	0.98%	0.95%	0.14%	0.12%
1 year swap	0.80%	0.78%	0.09%	0.05%
2 year swap	1.01%	0.99%	0.24%	0.19%
3 year swap	1.17%	1.15%	0.41%	0.36%
5 year swap	1.40%	1.38%	0.72%	0.65%
10 year swap	1.73%	1.71%	1.32%	1.31%
10 year Govt bond		1.63%		1.18%

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