

# Market Alert

Thursday 22 July 2021

CURRENCIES	Spot	6mths
NZD/USD	0.6972	-0.0012
NZD/AUD	0.9475	-0.0025
NZD/JPY	76.88	-0.30
NZD/EUR	0.5909	-0.0035
NZD/GBP	0.5082	-0.0012
NZD/CNH	4.5065	0.0562
AUD/USD	0.7359	0.0007
AUD/EUR	0.6236	-0.0020
EUR/USD	1.1800	0.0049
USD/CNH	6.4632	0.0921
GBP/USD	1.3720	0.0009
EUR/GBP	0.8601	0.0030

  

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.45%	0.03%
2 year swap	1.03%	0.22%
10 year Govt	1.67%	1.16%

## Zzzzzzzz!

There wasn't much to report on overnight, so little in fact that we're going to start with some central bank politics ...

It has been reported that while the Biden administration is maintaining an open mind about how the administration can put its stamp on the central bank, Fed Chairman, Jerome Powell, has broad support from the administration, which is particularly relevant given that his term is set to expire in February 2022.

In terms of data, the headline was the June Australian retail sales, which contracted -1.8% on the month, against an expected -0.5%, while New Zealand credit card spending rose +1.0% in June.

In China, the local media reports suggests that while the PBoC didn't cut their prime 1-year and 5-year lending rates earlier in the week, the PBoC may lower financing costs further in H2 2021.

Following on from yesterday's GDT auction, one of the local banks has revised their Fonterra farmgate 21/22 milk price forecast to NZD7.90 kgms. As an FYI, Fonterra is forecasting NZD7.25-NZD8.75.

A certain Mr Musk has been stoking the flames that is Bitcoin, announcing that while "Bitcoin not necessarily good for the environment, on balance I support it," and that "Tesla will most likely resume accepting Bitcoin." This saw 'the coin' move back above the USD31,000 level.

After Mondays bruising sell off driven by worries over a peak in corporate earnings and concerns about the economic impact of COVID-19 flare-ups, equity markets have bounced back strongly. Once again, the advance was led by companies that stand to benefit the most from a reopening of the economy, such as commodity, financial and industrial shares, while commodities and bond

yields firmed, and the USD weakened. Quite incredibly, the US 10-year treasury yield bounced from yesterday's low at 1.125% to be at 1.29%, although the move was less pronounced in Europe where the Bund firmed 2 basis points to -0.39% while the Australian and New Zealand 10-year yields were mildly lower at 1.17% and 1.675%.

The US dollar continues to gyrate around its key support level as it dropped -0.5% overnight, which saw the NZD outperform rallying +0.75% on the day while the AUD was more subdued rallying +0.40%.

## Anyone got a spare fiver?

According to the Congressional Budget Office, the US is at risk of a default in either October or November unless Congress raises or suspends the debt limit. Without an increase, the US Treasury Department's ability to borrow would be exhausted and it will, most likely, run out of cash.

The debt limit, or the total debt the Treasury can issue to the public and other government agencies, has been on a two-year hold that expires at the end of this month.

While this is a 'modest' headline at the moment, it will start to gain traction and market attention as we approach September.



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# Daily Rates

Thursday 22 July 2021

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	74.13					CAD	0.8761	0.9246
NZD/USD	0.6972	-0.0001	-0.0004	-0.0012	-0.0038	CHF	0.6396	0.6750
NZD/AUD	0.9475	-0.0002	-0.0009	-0.0025	-0.0062	CNY	4.5101	4.7600
NZD/JPY	76.88	-0.02	-0.10	-0.30	-0.75	DKK	4.3950	4.6385
NZD/EUR	0.5909	-0.0004	-0.0015	-0.0035	-0.0079	FJD	1.4476	1.5278
NZD/GBP	0.5082	-0.0001	-0.0004	-0.0012	-0.0030	HKD	5.4193	5.7195
						KRW	804.33	848.90
AU TWI	61.20					MYR	2.9314	3.0938
AUD/USD	0.7359	0.0001	0.0003	0.0007	0.0008	NOK	6.1916	6.5347
AUD/NZD	1.0554	0.0002	0.0010	0.0028	0.0069	SEK	6.0550	6.3904
AUD/JPY	81.14	-0.01	-0.03	-0.10	-0.26	SGD	0.9504	1.0031
AUD/EUR	0.6236	-0.0003	-0.0009	-0.0020	-0.0043	TWD	19.44	20.52
AUD/GBP	0.5364	0.0000	0.0001	0.0001	0.0003	ZAR	10.1494	10.7117
USD Index	92.76							
EUR/USD	1.1800	0.0007	0.0022	0.0049	0.0094	<b>EQUITIES</b>		
USD/JPY	110.27	-0.03	-0.09	-0.23	-0.46		<b>Index</b>	
GBP/USD	1.3720	0.0001	0.0003	0.0009	0.0005	NZX50	12,709	
EUR/GBP	0.8601	0.0005	0.0014	0.0030	0.0065	ASX200	7,309	
						Dow Jones	34,798	
						S&P 500	4,350	
						FTSE100	6,998	
						DAX 30	15,423	
						Nikkei	27,548	
						<b>COMMODITIES</b>		
							<b>USD</b>	
						Dubai Light	68.79	
						Brent Crude	72.16	
						Gold	1,804.15	
						Silver	25.28	
						CRB Index	226.36	

  

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	0.47%	0.43%	0.05%	0.01%
FRA 90d in 3mths	0.75%	0.72%	0.06%	0.03%
FRA 180d in 6mths	1.01%	0.97%	0.13%	0.12%
1 year swap	0.80%	0.78%	0.08%	0.06%
2 year swap	1.04%	1.02%	0.25%	0.20%
3 year swap	1.20%	1.18%	0.42%	0.38%
5 year swap	1.44%	1.42%	0.72%	0.62%
10 year swap	1.79%	1.77%	1.35%	1.34%
10 year Govt bond		1.66%		1.16%

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