

# Market Alert

Monday 26 July 2021

CURRENCIES	Spot	6mths
NZD/USD	0.6976	-0.0013
NZD/AUD	0.9473	-0.0026
NZD/JPY	77.06	-0.30
NZD/EUR	0.5925	-0.0035
NZD/GBP	0.5070	-0.0012
NZD/CNH	4.5173	0.0557
AUD/USD	0.7365	0.0006
AUD/EUR	0.6255	-0.0020
EUR/USD	1.1774	0.0048
USD/CNH	6.4733	0.0920
GBP/USD	1.3762	0.0008
EUR/GBP	0.8555	0.0030

  

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.46%	0.03%
2 year swap	1.05%	0.22%
10 year Govt	1.64%	1.20%

## High noon

It's time for a Mexican stand-off!

US Treasury Secretary, Janet Yellen, has stated the political stand-off over the US debt ceiling announcing, she "will suspend sale of state and local government securities at noon on 30 July." Which sounds very threatening, until one considers the real drop-dead date for the debt ceiling is in late August as the Treasury has a series of cash management options at their disposal. I suspect what will happen is that we will hear a lot of 'noise' from the politicians until there is a last-minute settlement as the US government is not going to default!

The US Markit July services PMI underperformed at 59.8 against the 64.8 expected with the warning that "some firms noted customer hesitancy amid significant hikes in selling prices," although the manufacturing PMI hit another record high of 63.1 in July of 2021, easily beating market forecasts of 62.0. In Germany, the IHS Markit composite survey showed the PMI rose to 62.5 in July 2021, from June's 60.1, which was above market expectations of 60.8.

ECB member, Jens Weidman, was not on board with the Council decisions last week, and was happy to let everyone know stating "the possible over-extension of ECBs low interest environment went too far for him. The Governing council agrees that in principle expansive monetary policy is currently appropriate, (my) advisors expect inflation rates rising toward 5% in Germany towards end of 2021."

US Commodity Futures Trading Commission data released on Friday showed that US dollar positioning has switched to a net USD long of USD399.69 million, meaning speculators are positioning themselves for a further rise in the USD. Interestingly, it is the USD's first net-long aggregate position since the pandemic began with positioning primarily against the JPY and the AUD.

And speaking of currencies, the NZD and AUD flatlined into the weeks close. Interestingly, the local market has taken some of the bullish RBNZ rate hike pricing out, with banks pushing back their

August rate hike calls, with a hike priced at 68%, although October is now at 100%. To be honest, to summarise Friday, it was a quiet session!

The Russian Central Bank raised its benchmark policy rate by 100 basis points to 6.5% at its July meeting, citing high inflation expectations. The central bank's concern is that the balance of risks has shifted towards pro-inflationary pressures which may cause inflation to deviate even higher from its 4.0% target for a longer period.

SoftBank, the Japanese bank that is heavily invested in Chinese tech firms, has seen its investment in Didi fall USD4 billion into the red due to the Chinese authority's regulatory crackdown on listing on US exchanges!

## This week's drivers

This week we have earnings releases from Alphabet, Facebook, Apple, AMD, Microsoft, and Amazon! Meanwhile, on the economic front, we have the Fed on Thursday morning, the US is releasing its first estimate of Q2 GDP, alongside durable goods orders and personal outlays, while we also have a GDP update from the Eurozone and Australian CPI and terms of trade.



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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	74.23					CAD	0.8764	0.9252
NZD/USD	0.6976	-0.0001	-0.0004	-0.0013	-0.0041	CHF	0.6419	0.6776
NZD/AUD	0.9473	-0.0002	-0.0009	-0.0026	-0.0064	CNY	4.5211	4.7729
NZD/JPY	77.06	-0.03	-0.10	-0.30	-0.76	DKK	4.4066	4.6519
NZD/EUR	0.5925	-0.0004	-0.0014	-0.0035	-0.0081	FJD	1.4551	1.5362
NZD/GBP	0.5070	-0.0001	-0.0004	-0.0012	-0.0031	HKD	5.4267	5.7288
						KRW	802.41	847.09
AU TWI	61.70					MYR	2.9485	3.1126
AUD/USD	0.7365	0.0001	0.0003	0.0006	0.0007	NOK	6.1834	6.5277
AUD/NZD	1.0557	0.0002	0.0010	0.0029	0.0072	SEK	6.0602	6.3977
AUD/JPY	81.36	-0.01	-0.03	-0.10	-0.26	SGD	0.9487	1.0015
AUD/EUR	0.6255	-0.0003	-0.0009	-0.0020	-0.0043	TWD	19.58	20.67
AUD/GBP	0.5351	0.0000	0.0001	0.0001	0.0003	ZAR	10.3114	10.8856
USD Index	92.91							
EUR/USD	1.1774	0.0007	0.0022	0.0048	0.0094	<b>EQUITIES</b>		
USD/JPY	110.48	-0.03	-0.09	-0.23	-0.45			<b>Index</b>
GBP/USD	1.3762	0.0001	0.0003	0.0008	0.0005	NZX50		12,736
EUR/GBP	0.8555	0.0005	0.0014	0.0030	0.0065	ASX200		7,394
						Dow Jones		35,062
						S&P 500		4,412
						FTSE100		7,028
						DAX 30		15,669
						Nikkei		27,548
						<b>COMMODITIES</b>		
								<b>USD</b>
						Dubai Light		72.17
						Brent Crude		74.10
						Gold		1,801.86
						Silver		25.16
						CRB Index		230.20

  

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	0.48%	0.44%	0.05%	0.01%
FRA 90d in 3mths	0.79%	0.75%	0.06%	0.03%
FRA 180d in 6mths	1.03%	1.00%	0.14%	0.12%
1 year swap	0.85%	0.83%	0.07%	0.06%
2 year swap	1.06%	1.04%	0.23%	0.21%
3 year swap	1.22%	1.20%	0.41%	0.39%
5 year swap	1.45%	1.43%	0.75%	0.66%
10 year swap	1.80%	1.78%	1.33%	1.32%
10 year Govt bond		1.63%		1.20%

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