

Market Alert

Tuesday 27 July 2021

CURRENCIES	Spot	6mths
NZD/USD	0.6999	-0.0013
NZD/AUD	0.9481	-0.0026
NZD/JPY	77.26	-0.30
NZD/EUR	0.5929	-0.0035
NZD/GBP	0.5064	-0.0012
NZD/CNH	4.5372	0.0567
AUD/USD	0.7383	0.0007
AUD/EUR	0.6253	-0.0020
EUR/USD	1.1806	0.0048
USD/CNH	6.4835	0.0929
GBP/USD	1.3822	0.0008
EUR/GBP	0.8541	0.0030

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.45%	0.03%
2 year swap	1.06%	0.22%
10 year Govt	1.63%	1.18%

I think this is interesting

Overnight, Goldman Sachs announced it sees slower US consumption in 2H21 and has lowered its Q3 and Q4 GDP calls with Q3 at 8.5% from 9.5%, and Q4 at 5.0% from 6.0%.

In amongst this, US June new home sales fell for the 3rd month to 0.7 million versus the 0.8 million expected, while the Dallas Fed's July manufacturing index eased to 27.3 from 31.1.

Finally, the German IFO business climate index dropped to 100.8 in July from the previous month's 2.5 year high of 101.7.

The NZ trade balance for June produced a NZD261 million surplus, lower than the previous months NZD469.0 million. And exports rose to NZD6.0 from NZD5.9 billion, while imports rose to NZD5.7 from NZD5.4 billion.

Now, if we just take the Goldman's adjustment and the data releases at a headline level, all of them are a 'slight negative', highlighting a slowdown in the global recovery. And if we add in the PBoC's announcement that it has ordered lenders in Shanghai to raise mortgage loan rates for first time homebuyers, it all highlights that maybe some of the economic calls for 2H21 were overly bullish, and that perhaps the global recovery has further to go than we originally thought. Even the NZ futures market has scaled back some of its rate hike projections with an August hike back to 68%!

In saying this, the overnight action, apart from Chinese equities, was predominantly quiet. Equities firmed to new highs, the US 10-year yield also firmed to 1.29%, and the NZD and AUD were, you guessed it, a touch firmer!

And speaking of China, even though the Trump implemented 'phase 1' trade deal is still in place, China has started to 'step up' its trade rhetoric after a Senior Chinese diplomat called for the US to remove sanctions and tariffs, while China's Vice Foreign Minister announced

that relations with the US face difficulties and are at a stalemate. In other Chinese news, the city of Nanjing – population 8.5 million – has gone into a COVID-19 lockdown, and Chinese shares fell 2.3% on regulatory concerns after financial market authorities cracked down on educational companies from making profits, raising capital or going public. The hedge funds won't be happy!

Helge Braun, Chief of Staff to the German Chancellor, stated that unvaccinated people may be barred from entering venues like restaurants, movie theatres or sports stadiums "because the residual risk is too high."

BoE policymaker, and man with the most English sounding name I've ever heard, Gertjan Vlieghe, announced "I think it will remain appropriate to keep current stimulus in place for several quarters at least, and probably longer. When tightening becomes appropriate, I suspect not much of it will be needed."

I should have bought some!

Bitcoin rose 21% today climbing above the USD39,000 level. Mind you, a US probe into Tether is homing in on whether executives behind the digital token committed bank fraud.

Finally, without getting into the debate, it should be noted that not one COVID-19 vaccinated person is in intensive care in Australia.



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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	74.39					CAD	0.8778	0.9259
NZD/USD	0.6999	-0.0001	-0.0004	-0.0013	-0.0040	CHF	0.6408	0.6759
NZD/AUD	0.9481	-0.0002	-0.0009	-0.0026	-0.0063	CNY	4.5374	4.7858
NZD/JPY	77.26	-0.03	-0.10	-0.30	-0.75	DKK	4.4093	4.6507
NZD/EUR	0.5929	-0.0004	-0.0014	-0.0035	-0.0080	FJD	1.4538	1.5334
NZD/GBP	0.5064	-0.0001	-0.0004	-0.0012	-0.0031	HKD	5.4444	5.7424
						KRW	808.38	852.64
AU TWI	61.70					MYR	2.9458	3.1070
AUD/USD	0.7383	0.0001	0.0003	0.0007	0.0008	NOK	6.1702	6.5080
AUD/NZD	1.0547	0.0002	0.0010	0.0028	0.0071	SEK	6.0365	6.3669
AUD/JPY	81.49	-0.01	-0.03	-0.09	-0.25	SGD	0.9506	1.0026
AUD/EUR	0.6253	-0.0003	-0.0009	-0.0020	-0.0043	TWD	19.65	20.72
AUD/GBP	0.5341	0.0000	0.0001	0.0002	0.0003	ZAR	10.3421	10.9082
USD Index	92.61							
EUR/USD	1.1806	0.0008	0.0022	0.0048	0.0094	EQUITIES		
USD/JPY	110.39	-0.03	-0.08	-0.23	-0.45			Index
GBP/USD	1.3822	0.0001	0.0003	0.0008	0.0006	NZX50		12,673
EUR/GBP	0.8541	0.0005	0.0014	0.0030	0.0064	ASX200		7,394
						Dow Jones		35,144
INTEREST RATES								
		New Zealand		Australia				
		Borrow	Invest	Borrow	Invest	S&P 500		4,421
30 day bank bills		0.34%	0.30%	0.00%	0.02%	FTSE100		7,025
90 day bank bills		0.47%	0.43%	0.05%	0.01%	DAX 30		15,619
FRA 90d in 3mths		0.77%	0.74%	0.06%	0.03%	Nikkei		27,833
FRA 180d in 6mths		1.03%	1.00%	0.13%	0.12%	COMMODITIES		
1 year swap		0.83%	0.81%	0.08%	0.06%			USD
2 year swap		1.07%	1.05%	0.23%	0.21%	Dubai Light		71.90
3 year swap		1.23%	1.21%	0.39%	0.38%	Brent Crude		74.74
5 year swap		1.46%	1.44%	0.74%	0.66%	Gold		1,798.25
10 year swap		1.81%	1.79%	1.33%	1.32%	Silver		25.20
10 year Govt bond			1.61%	1.18%	1.18%	CRB Index		233.29

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