

# Market Alert

Wednesday 28 July 2021

CURRENCIES	Spot	6mths
NZD/USD	0.6962	-0.0012
NZD/AUD	0.9455	-0.0025
NZD/JPY	76.38	-0.29
NZD/EUR	0.5890	-0.0034
NZD/GBP	0.5016	-0.0012
NZD/CNH	4.5434	0.0594
AUD/USD	0.7363	0.0006
AUD/EUR	0.6229	-0.0020
EUR/USD	1.1821	0.0049
USD/CNH	6.5265	0.0968
GBP/USD	1.3880	0.0009
EUR/GBP	0.8516	0.0030

  

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.47%	0.03%
2 year swap	1.06%	0.21%
10 year Govt	1.66%	1.21%

## All quiet on the front line

There was a bit of data ahead of tomorrow's Fed meeting, so let's get it out of the way. New orders for US manufactured durable goods were up 0.8% on the month against the 2.1% expected rise, the July Conference Board consumer confidence index fell to 129.1 against a forecast 123.9, the Richmond Fed manufacturing index increased to 27.0 when just 20.0 was anticipated, and the May Case-Shiller 20-city house price index surged to 17.0% on the year to push the index to a record high.

In the Eurozone, household credit growth increased to 4.0% in June, following on from a 3.9% increase in July, the Australian weekly consumer confidence index fell to 100.7, from 104.3 as the lockdowns kicked in, and finally, capitalism is alive and well in China after profits earned by industrial firms in the January-June period increased by 66.9% in the comparative COVID-19 period last year.

Following on from Goldman Sachs downgrading its GDP forecasts yesterday, the Atlanta Fed followed suit downgrading its Q2 GDP forecast to 7.4% from 7.6%. Meanwhile, the IMF left its 2021 global GDP forecast at 6.0%, counteracting stronger US growth against weaker emerging markets, and it also upgraded its 2022 forecast to 4.9% from 4.4%.

With Apple and Microsoft reporting after the bell, and the Fed tomorrow morning, markets were quiet overnight. Commodities were flat, equity bourses were broadly 0.5%-1.0% lower, while the US treasury yields eased to 1.23% and the bund fell to -0.44%. The NZD led the commodity-linked currencies lower, allegedly due to *"concerns China's regulatory crackdown will crimp investor appetite in the region,"* which is a bit of a strange one, but the fact is the NZD, AUD and JPY are all lower!

The Japanese bank MUFG is forecasting AUD/NZD to fall to 1.0250, or 0.9750

in NZD/AUD terms, as Australia's zero-tolerance COVID-19 policy could weigh on economic growth as per the plunge in retail sales and PMIs, while in New Zealand, the fact that there have been no fresh COVID-19 outbreaks will reinforce the RBNZ's determination to hike. I suspect MUFG doesn't fully understand New Zealand's 'let's cross our fingers' approach to COVID-19 border control!

Local Chinese government data for the first 6 months of the year has highlighted the falling number of births with some regions showing declines of up to 11%. Economists are forecasting the country's low fertility rate and ageing society is likely to affect how globally competitive China is in the future.

So, what of the Federal Reserve tomorrow? The general consensus is that the Fed will express its concerns around the resurgence of the COVID-19 Delta strain, which would imply it is less ready to tighten policy. With the Fed expected to start its tapering programme later this year, or early next year, there is a risk any tapering could ultimately become dependent on the various COVID-19 strains.

## I knew I should have sold some!

Follow on from yesterday's rally, Bitcoin fell after Amazon denied it will be accepting the crypto currency anytime soon!



**BANCORP**

BANCORP TREASURY SERVICES LIMITED

**Barrington**  
TREASURY SERVICES

**Barrington**  
ASSET CONSULTING



**BANCORP**

BANCORP CORPORATE FINANCE LIMITED

# Daily Rates

Wednesday 28 July 2021

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	74.07					CAD	0.8766	0.9272
NZD/USD	0.6962	0.0000	-0.0004	-0.0012	-0.0039	CHF	0.6365	0.6732
NZD/AUD	0.9455	-0.0002	-0.0009	-0.0025	-0.0063	CNY	4.5328	4.7943
NZD/JPY	76.38	-0.02	-0.10	-0.29	-0.74	DKK	4.3802	4.6329
NZD/EUR	0.5890	-0.0004	-0.0014	-0.0034	-0.0079	FJD	1.4537	1.5376
NZD/GBP	0.5016	-0.0001	-0.0004	-0.0012	-0.0030	HKD	5.4195	5.7322
						KRW	800.66	846.86
AU TWI	61.80					MYR	2.9416	3.1113
AUD/USD	0.7363	0.0001	0.0003	0.0006	0.0007	NOK	6.1792	6.5357
AUD/NZD	1.0577	0.0002	0.0010	0.0028	0.0071	SEK	6.0035	6.3499
AUD/JPY	80.79	-0.01	-0.03	-0.10	-0.25	SGD	0.9472	1.0019
AUD/EUR	0.6229	-0.0003	-0.0009	-0.0020	-0.0043	TWD	19.53	20.66
AUD/GBP	0.5305	0.0000	0.0001	0.0001	0.0003	ZAR	10.2897	10.8834
USD Index	92.44							
EUR/USD	1.1821	0.0007	0.0022	0.0049	0.0094	<b>EQUITIES</b>		
USD/JPY	109.73	-0.03	-0.08	-0.23	-0.45		<b>Index</b>	
GBP/USD	1.3880	0.0001	0.0003	0.0009	0.0005	NZX50	12,590	
EUR/GBP	0.8516	0.0005	0.0014	0.0030	0.0064	ASX200	7,431	
						Dow Jones	35,059	
<b>INTEREST</b>		<b>New Zealand</b>		<b>Australia</b>		S&P 500	4,397	
<b>RATES</b>		<b>Borrow</b>	<b>Invest</b>	<b>Borrow</b>	<b>Invest</b>	FTSE100	6,996	
30 day bank bills		0.34%	0.30%	0.02%	0.02%	DAX 30	15,519	
90 day bank bills		0.49%	0.45%	0.05%	0.01%	Nikkei	27,970	
FRA 90d in 3mths		0.76%	0.73%	0.06%	0.03%			
FRA 180d in 6mths		1.03%	1.00%	0.13%	0.12%	<b>COMMODITIES</b>		
1 year swap		0.83%	0.81%	0.08%	0.06%		<b>USD</b>	
2 year swap		1.07%	1.05%	0.23%	0.20%	Dubai Light	72.58	
3 year swap		1.22%	1.20%	0.38%	0.37%	Brent Crude	74.53	
5 year swap		1.45%	1.43%	0.74%	0.66%	Gold	1,800.29	
10 year swap		1.79%	1.77%	1.33%	1.32%	Silver	24.75	
10 year Govt bond			1.65%		1.21%	CRB Index	231.80	

This document has been prepared by Bancorp Treasury Services Limited ("BTSL"). Whilst all reasonable care has been taken to ensure the facts stated are accurate and the opinions given are fair and reasonable, neither BTSL nor any of its directors, officers or employees shall in any way be responsible for the contents. No liability is assumed by BTSL, its directors, officers or employees for action taken or not taken on the basis of this document.



**BANCORP**  
BANCORP TREASURY SERVICES LIMITED

**Barrington**  
TREASURY SERVICES

**Barrington**  
ASSET CONSULTING



**BANCORP**  
BANCORP CORPORATE FINANCE LIMITED