

Market Alert

Friday 30 July 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7011	-0.0012
NZD/AUD	0.9476	-0.0024
NZD/JPY	76.71	-0.28
NZD/EUR	0.5896	-0.0033
NZD/GBP	0.5020	-0.0011
NZD/CNH	4.5279	0.0606
AUD/USD	0.7399	0.0006
AUD/EUR	0.6222	-0.0019
EUR/USD	1.1891	0.0048
USD/CNH	6.4579	0.0973
GBP/USD	1.3967	0.0007
EUR/GBP	0.8514	0.0030

INTR RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.47%	0.02%
2 year swap	1.04%	0.19%
10 year Govt	1.61%	1.15%

We're doing well ...

... just not as well as we thought we would be doing!

Q2 US growth disappointed as the effects of supply-chain constraints saw GDP expand at 'just' 6.5% on the year, which was way under the 8.5% expected!

The rapid spread of the COVID-19 Delta variant, supply-chain disruptions, shortage of workers, and a cooling housing market were all seen as weighing on the growth for the rest of 2021. Q1 GDP was also revised to 6.3% from 6.4%.

In other data-related news, US pending home sales declined 1.9% on the year to June for the index's first drop in 4-months as rising prices started to impact sales, initial claims exceeded expectations at 400,000 while continuing claims also increased to reach 3.3 million. And from the rest of the world, German CPI grew at 3.8% on the year to reach its the highest since December 1993 and was well above market expectations at 3.3%, economic sentiment indicator in the Euro Area rose for a sixth month in a row to an all-time high of 119.0. Australian Q2 export prices grew at 13.2% while import prices were more benign at just 1.9%, and New Zealand July business confidence fell 3.8% for its 4th decline in 5 months, but don't worry, the own activity outlook retained its positive sentiment at 26.3.

In other news, and just to prove the US is awash with cash, the Federal Reserve's reverse repo facility, which pays an overnight rate of just 0.05%, rose to its 2nd highest level ever as participants took USD987.3 billion! Meanwhile, the Alternative Reference Rates Committee, a Federal Reserve backed LIBOR transition group, has formally recommended the forward-looking Secured Overnight Financing Rate, or SOFR, pricing structure.

In the Eurozone, policymaker Fabio Panetta announced that the ECB "can only increase rates when it's convinced that inflation can stabilise at 2% over the

medium-term. The risks of excessive inflation and overheating are limited. Inflation at 1.4% to 1.5% is insufficient for the ECB (to act). Fiscal, monetary support must continue to support Eurozone economy."

This saw equities continue their rise to 'new' all-time highs as the US Q2 GDP and initial claims releases eased concerns about inflationary pressures building and the Federal Reserve scaling back its ultra-accommodative policies, while ECB member Fabio Panetta's comments added to the sentiment. Commodities, like equity bourses, were also a sea of green, which has seen crude and Brent return to the USD73.6 and USD76.1 levels in a stealth like move. In amongst this, the US dollar completed the final leg of its 4 day sell-off to hit support at a key level, which saw the NZD and AUD make new weekly highs.

And the rest ...

Australian house prices are telling a familiar story after 6 cities saw new record highs while Sydney, Canberra, Hobart, and Darwin have seen 20% rises in the last year.

CNBC, citing an unnamed source, has announced that China will continue to allow Chinese companies to go public in the US as long as they meet listing requirements.

The Pfizer COVID-19 vaccine drops from 96% to 84% effectiveness after 6-months.



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Daily Rates

Friday 30 July 2021

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	74.24					CAD	0.8728	0.9211
NZD/USD	0.7011	0.0000	-0.0004	-0.0012	-0.0039	CHF	0.6350	0.6701
NZD/AUD	0.9476	-0.0002	-0.0009	-0.0024	-0.0062	CNY	4.5269	4.7775
NZD/JPY	76.71	-0.02	-0.10	-0.28	-0.72	DKK	4.3852	4.6279
NZD/EUR	0.5896	-0.0004	-0.0014	-0.0033	-0.0078	FJD	1.4563	1.5369
NZD/GBP	0.5020	-0.0001	-0.0004	-0.0011	-0.0029	HKD	5.4485	5.7500
						KRW	803.70	848.18
AU TWI	61.70					MYR	2.9618	3.1257
AUD/USD	0.7399	0.0001	0.0003	0.0006	0.0008	NOK	6.1168	6.4554
AUD/NZD	1.0554	0.0002	0.0010	0.0027	0.0069	SEK	5.9931	6.3248
AUD/JPY	80.96	-0.01	-0.03	-0.09	-0.24	SGD	0.9483	1.0008
AUD/EUR	0.6222	-0.0003	-0.0009	-0.0019	-0.0042	TWD	19.52	20.60
AUD/GBP	0.5297	0.0000	0.0001	0.0002	0.0004	ZAR	10.1994	10.7639
USD Index	91.89							
EUR/USD	1.1891	0.0007	0.0022	0.0048	0.0093	EQUITIES		
USD/JPY	109.43	-0.03	-0.08	-0.22	-0.43			Index
GBP/USD	1.3967	0.0001	0.0003	0.0007	0.0003	NZX50		12,729
EUR/GBP	0.8514	0.0004	0.0014	0.0030	0.0065	ASX200		7,417
						Dow Jones		35,092
						S&P 500		4,421
						FTSE100		7,078
						DAX 30		15,640
						Nikkei		27,782
						COMMODITIES		
								USD
						Dubai Light		72.92
						Brent Crude		76.11
						Gold		1,828.51
						Silver		25.54
						CRB Index		235.10

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	0.35%	0.31%	0.01%	0.03%
90 day bank bills	0.49%	0.45%	0.04%	0.00%
FRA 90d in 3mths	0.75%	0.72%	0.06%	0.03%
FRA 180d in 6mths	1.03%	1.00%	0.12%	0.11%
1 year swap	0.81%	0.79%	0.07%	0.05%
2 year swap	1.05%	1.03%	0.21%	0.17%
3 year swap	1.21%	1.19%	0.36%	0.34%
5 year swap	1.45%	1.43%	0.69%	0.61%
10 year swap	1.80%	1.78%	1.28%	1.27%
10 year Govt bond		1.60%		1.15%

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