

# Market Alert

Thursday 12 August 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7044	-0.0020
NZD/AUD	0.9551	-0.0035
NZD/JPY	77.78	-0.37
NZD/EUR	0.6000	-0.0041
NZD/GBP	0.5080	-0.0017
NZD/CNH	4.5611	0.0529
AUD/USD	0.7375	0.0007
AUD/EUR	0.6281	-0.0019
EUR/USD	1.1741	0.0047
USD/CNH	6.4759	0.0934
GBP/USD	1.3868	0.0007
EUR/GBP	0.8466	0.0030

  

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.69%	0.02%
2 year swap	1.32%	0.25%
10 year Govt	1.83%	1.22%

## The weeks highlight

In the week's headline data release, the US CPI, highlighted that July's price inflation increased at a modest pace, although not enough to provide any sort of pressure release for consumers. Breaking the numbers down, the monthly inflation rate slowed to 0.5% from 0.9% in June, while the core index was up a modest 0.3%, less than the markets had forecast.

The annual inflation rate remained at 5.4% in July 2021, which was unchanged from the previous month's 13-year high and slightly above market expectations of 5.3%.

While the numbers were broadly in line with expectations, the slightly softer than expected print in the core numbers opened up the Federal Reserve tapering debate suggesting the less vocal members may be correct with their 'moderate' outlook given the slower than expected path to normalisation.

Even so, that didn't stop the Kansas City Fed President, Esther George, from weighing in and announcing "in my view, with the committee's guidance regarding substantial further progress moving toward its objectives, I support bringing asset purchases to an end" while Fed member, Robert Kaplan, added that he is "in favour of announcing a plan to taper at the September meeting and start tapering in October."

In other releases, the US posted a budget deficit of USD302 billion in July, Australian monthly consumer confidence, quite understandably, turned negative in August falling to -4.4% from July's +1.5%, and Japanese money supply figures showed the locals' ability to hoard cash is as strong as ever after M2 and M3 supply numbers were the smallest annual increases since May 2020.

After the initial 'knee-jerk' reaction to the CPI releases, and once the markets had settled down, the day-on-day movements were rather minor. International equity markets were up 0.5%-1.0%, commodities were up roughly +1.0%, while the 10-year

Treasury was at 1.33%. The USD weakened a touch, which saw the NZD and AUD cement yesterday's gains.

And following on from their AUD/NZD call yesterday, Goldman Sachs added they are now net neutral on the USD as they "do not see a case for sustained Dollar appreciation. The US economy should slow as the fiscal impulse turns negative and falling inflation should allow the Fed to remain on hold for a lengthy period (our economists expect an unchanged funds rate until Q3 2023)". Meanwhile, Toronto Dominion has turned bearish on gold announcing they expect to remain under pressure in the months ahead.

## And the rest

The 'chip lead time', which is the time it takes from ordering a semiconductor to delivery, increased 8 days in July to now be at more than 20 weeks.

Forty-six Republican senators issued a stern warning to Democrats that they will not vote for an increase in the debt ceiling, a move that raises the risk of the US Treasury defaulting on its obligations as soon as next month.

Bloomberg have reported a crypto hack on the PolyNetwork resulted in the theft of USD600 million in crypto. This is believed to have been the biggest theft ever in the world of decentralized finance.



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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	74.90					CAD	0.8809	0.9224
NZD/USD	0.7044	-0.0001	-0.0007	-0.0020	-0.0057	CHF	0.6493	0.6799
NZD/AUD	0.9551	-0.0003	-0.0013	-0.0035	-0.0088	CNY	4.5639	4.7787
NZD/JPY	77.78	-0.03	-0.13	-0.37	-0.94	DKK	4.4618	4.6717
NZD/EUR	0.6000	-0.0005	-0.0017	-0.0041	-0.0095	FJD	1.4690	1.5381
NZD/GBP	0.5080	-0.0001	-0.0006	-0.0017	-0.0040	HKD	5.4791	5.7369
						KRW	814.44	852.78
AU TWI	61.60					MYR	2.9672	3.1069
AUD/USD	0.7375	0.0001	0.0003	0.0007	0.0009	NOK	6.2372	6.5307
AUD/NZD	1.0471	0.0004	0.0015	0.0039	0.0098	SEK	6.1175	6.4054
AUD/JPY	81.43	-0.01	-0.03	-0.09	-0.23	SGD	0.9555	1.0004
AUD/EUR	0.6281	-0.0003	-0.0009	-0.0019	-0.0042	TWD	19.50	20.42
AUD/GBP	0.5318	0.0000	0.0001	0.0002	0.0007	ZAR	10.3132	10.7985
USD Index	92.92							
EUR/USD	1.1741	0.0007	0.0022	0.0047	0.0092	<b>EQUITIES</b>		
USD/JPY	110.43	-0.02	-0.08	-0.22	-0.44			<b>Index</b>
GBP/USD	1.3868	0.0001	0.0002	0.0007	-0.0002	NZX50		12,748
EUR/GBP	0.8466	0.0004	0.0014	0.0030	0.0068	ASX200		7,584
						Dow Jones		35,469
						S&P 500		4,448
						FTSE100		7,220
						DAX 30		15,826
						Nikkei		28,071
						<b>COMMODITIES</b>		
								<b>USD</b>
						Dubai Light		69.08
						Brent Crude		71.52
						Gold		1,751.99
						Silver		23.54
						CRB Index		230.31

  

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	0.54%	0.50%	-0.01%	0.02%
90 day bank bills	0.71%	0.67%	0.04%	0.00%
FRA 90d in 3mths	1.04%	1.01%	0.05%	0.02%
FRA 180d in 6mths	1.36%	1.33%	0.13%	0.12%
1 year swap	1.10%	1.08%	0.07%	0.06%
2 year swap	1.33%	1.30%	0.26%	0.24%
3 year swap	1.47%	1.44%	0.45%	0.44%
5 year swap	1.66%	1.63%	0.79%	0.71%
10 year swap	1.97%	1.95%	1.33%	1.32%
10 year Govt bond		1.82%		1.22%

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