

Market Alert

Friday 13 August 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7000	-0.0019
NZD/AUD	0.9541	-0.0034
NZD/JPY	77.29	-0.36
NZD/EUR	0.5965	-0.0040
NZD/GBP	0.5071	-0.0016
NZD/CNH	4.5346	0.0533
AUD/USD	0.7337	0.0007
AUD/EUR	0.6253	-0.0019
EUR/USD	1.1735	0.0047
USD/CNH	6.4779	0.0937
GBP/USD	1.3806	0.0007
EUR/GBP	0.8500	0.0030

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.68%	0.01%
2 year swap	1.32%	0.24%
10 year Govt	1.81%	1.19%

I'm starting to see a trend here!

There has been a lot of data released over the past 24-hours, so let's try and sum it up as quickly as possible ...

In New Zealand, it's all about inflation! The RBNZ Q3 monetary conditions survey saw its inflation expectations increase to 3.02% from 1.87% in 1 years time, and to 2.27%, from 2.05%, in 2-years. In other releases the median NZ house price increased 2.4% in July to be at 25.1% for the year, while food price inflation increased by 1.3% in July, following on from June's 1.54%.

It was a similar story in Australia where a local market survey of consumer inflation

expectations printed at 3.3% for August, although it was down a touch on July's 3.7%. The NAB CEO also announced he is expecting a strong bounce for the Australian economy once the COVID-19 restrictions are eased.

In the US, the number of Americans filing for initial unemployment claims dropped for the third straight week to 375,000 while producer prices, for final demand and core, both rose at 1.0% on the month and at 7.8% and 6.2% respectively. In other US news, San Francisco Fed president, Mary Daly, let slip that *"talking about potentially tapering later this year or early next year is where I'm at"* while Morgan Stanley brought forward their Fed rate hike call, although it is still in 2023.

UK Q2 GDP rose at 4.8% following on from Q1's 1.6% as the COVID-19 restrictions eased. There were also expansions for private consumption, government spending and services, although business investment, industrial production, manufacturing, and construction all contracted. We guess everyone was down the pub watching the football!

China's M2 money supply suggested its broad money growth had slowed a little, while new credit creation was at its lowest level since February of 2020 as new yuan loans in July increased to CNY1.08 trillion, which was down from June's CNY2.12 trillion.

Fitch rating agency affirmed Japan's credit rating at 'A' with a negative outlook,

while Japan's July PPI rose +1.1% on the month against an expected 0.5% as global commodity inflation and a weak yen pushed up raw material import costs for a broad range of goods.

So, with most of the above releases suggesting inflation is approaching most developed nations like a runaway train, the financial markets must have been chaotic! Well, they weren't, in fact, they were quite subdued. International bourses were ... wait for it ... broadly up 0.5%, commodities were mixed, and the US 10 year Treasury yield eased to 1.36%. The USD also recovered from yesterday's losses, which saw the AUD and NZD weaken 0.5%.

Out of the US and into Europe ... again!

We suspect that if you charted this, there would be a seasonality to it, as it seems to be the case every southern hemisphere summer, BlackRock has turned neutral on US equities and upgraded their call on European equities to overweight.

Lastly, the US FDA is set to approve a third COVID-19 vaccine shot for people with compromised immune systems.



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Daily Rates

Friday 13 August 2021

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	74.54					CAD	0.8762	0.9183
NZD/USD	0.7000	-0.0001	-0.0007	-0.0019	-0.0055	CHF	0.6465	0.6776
NZD/AUD	0.9541	-0.0003	-0.0013	-0.0034	-0.0086	CNY	4.5357	4.7541
NZD/JPY	77.29	-0.03	-0.13	-0.36	-0.91	DKK	4.4361	4.6497
NZD/EUR	0.5965	-0.0005	-0.0016	-0.0040	-0.0093	FJD	1.4610	1.5313
NZD/GBP	0.5071	-0.0001	-0.0006	-0.0016	-0.0039	HKD	5.4471	5.7094
						KRW	812.84	851.99
AU TWI	61.70					MYR	2.9781	3.1215
AUD/USD	0.7337	0.0001	0.0003	0.0007	0.0009	NOK	6.1925	6.4907
AUD/NZD	1.0482	0.0004	0.0014	0.0038	0.0095	SEK	6.0830	6.3760
AUD/JPY	81.01	-0.01	-0.03	-0.09	-0.22	SGD	0.9505	0.9963
AUD/EUR	0.6253	-0.0003	-0.0009	-0.0019	-0.0041	TWD	19.47	20.41
AUD/GBP	0.5315	0.0000	0.0001	0.0002	0.0007	ZAR	10.3475	10.8459
USD Index	93.00							
EUR/USD	1.1735	0.0007	0.0021	0.0047	0.0092	EQUITIES		
USD/JPY	110.42	-0.02	-0.08	-0.22	-0.44		Index	
GBP/USD	1.3806	0.0001	0.0002	0.0007	-0.0002	NZX50	12,682	
EUR/GBP	0.8500	0.0004	0.0014	0.0030	0.0068	ASX200	7,588	
						Dow Jones	35,500	
						S&P 500	4,459	
						FTSE100	7,193	
						DAX 30	15,938	
						Nikkei	28,015	
						COMMODITIES		
							USD	
						Dubai Light	70.53	
						Brent Crude	71.18	
						Gold	1,753.38	
						Silver	23.21	
						CRB Index	230.59	

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	0.70%	0.66%	0.03%	-0.01%
FRA 90d in 3mths	1.02%	0.99%	0.05%	0.02%
FRA 180d in 6mths	1.34%	1.31%	0.12%	0.10%
1 year swap	1.09%	1.07%	0.06%	0.05%
2 year swap	1.33%	1.30%	0.25%	0.23%
3 year swap	1.46%	1.44%	0.44%	0.43%
5 year swap	1.64%	1.62%	0.77%	0.69%
10 year swap	1.96%	1.93%	1.34%	1.32%
10 year Govt bond		1.79%		1.19%

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