

Market Alert

Tuesday 17 August 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7024	-0.0020
NZD/AUD	0.9569	-0.0035
NZD/JPY	76.72	-0.37
NZD/EUR	0.5963	-0.0040
NZD/GBP	0.5075	-0.0017
NZD/CNH	4.5482	0.0536
AUD/USD	0.7340	0.0007
AUD/EUR	0.6232	-0.0019
EUR/USD	1.1779	0.0047
USD/CNH	6.4757	0.0945
GBP/USD	1.3841	0.0007
EUR/GBP	0.8510	0.0030

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.67%	0.02%
2 year swap	1.36%	0.22%
10 year Govt	1.82%	1.16%

What goes up must come down!

Well, we all know that theory doesn't work with equity prices, but it does with house prices ... in the UK! After August Rightmove house prices eased -0.3% on the month following on from July's +0.7% gain.

But it's the same old housing story in China as it is in the rest of the world after July's house prices increased at 4.6% on the year following on from June's 4.7%. Beijing led the way having rallied 5.4%. But the real dampener for the politicians was the industrial production numbers which headlined at 6.4% on the year

against an expected 7.8%. The number was the lowest print since August 2020 with every input and component below forecast while high raw materials and supply bottlenecks added to constraints.

With the Chinese economy slowing more than expected, adding to the signs that the global recovery is coming under delta-related pressures, to impact supply chains and undermine consumer confidence, yields and the commodity currencies came under pressure in the Asian time zone, although there wasn't much follow through from the overnight session. Equities, commodities and bonds were very quiet after the Australasian close, with the 10-year Treasury yielding 1.26%, and the NZD and AUD flat.

Overnight, there was a similar manufacturing story in the US to the one in China after the New York Empire State Manufacturing Index fell to 18.3 in August, which was a country mile from the forecasts at 29.0 and well below July's record high of 43.0. Furthermore, in a classic kiwi comparison, there was a feeling of, 'they'll struggle but we'll be fine' optimism as firms remained confident that conditions would improve over the next 6-months with substantial increases in employment and prices expected.

At least the northern hemisphere traders had a few Fed comments to play with after Fed member, Robert Kashkari, announced he wants to see "a few more" solid employment reports before he considers tapering, while Eric Rosengren

expects strong hiring to allow the Fed to be in a position to start reducing its USD120 billion QE programme this fall and, if strong economic growth continues, the Fed might be able to end those purchases toward the middle of 2022.

Japanese preliminary Q2 GDP suggested the economy grew at 0.3% against a forecast of 0.2% while the final June industrial production numbers saw production grow 6.5% on the month, which was above the 6.2% preliminary number.

The New Zealand July business PMIs printed at 56.8, which was the highest since April and above June's 54.7.

If you can do it, so can we!

With the Fed getting closer to tapering, economists' attention is turning to when the ECB may undertake a similar strategy. Currently, 18 out of 29 economists are calling for the ECB to start tapering before year end, while 29 of 34 forecast the program would be wrapped up by the end of March 2022. In terms of their forecasts, the consensus suggested GDP would grow at 2.1% in Q3 and 1.2% in Q4, with the 2021 calendar year at 4.6% and 2022 steady at 4.4%.



BANCORP

BANCORP TREASURY SERVICES LIMITED

Barrington
TREASURY SERVICES

Barrington
ASSET CONSULTING



BANCORP

BANCORP CORPORATE FINANCE LIMITED

Daily Rates

Tuesday 17 August 2021

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	74.72					CAD	0.8826	0.9224
NZD/USD	0.7024	-0.0002	-0.0007	-0.0020	-0.0057	CHF	0.6406	0.6695
NZD/AUD	0.9569	-0.0004	-0.0014	-0.0035	-0.0089	CNY	4.5475	4.7526
NZD/JPY	76.72	-0.04	-0.13	-0.37	-0.92	DKK	4.4341	4.6340
NZD/EUR	0.5963	-0.0005	-0.0017	-0.0040	-0.0094	FJD	1.4587	1.5245
NZD/GBP	0.5075	-0.0002	-0.0006	-0.0017	-0.0040	HKD	5.4668	5.7133
						KRW	817.97	854.85
AU TWI	61.40					MYR	2.9783	3.1126
AUD/USD	0.7340	0.0001	0.0003	0.0007	0.0009	NOK	6.1998	6.4793
AUD/NZD	1.0451	0.0004	0.0015	0.0039	0.0098	SEK	6.0759	6.3499
AUD/JPY	80.18	-0.01	-0.03	-0.09	-0.22	SGD	0.9523	0.9952
AUD/EUR	0.6232	-0.0003	-0.0009	-0.0019	-0.0041	TWD	19.58	20.46
AUD/GBP	0.5303	0.0000	0.0001	0.0002	0.0007	ZAR	10.4124	10.8819
USD Index	92.61							
EUR/USD	1.1779	0.0007	0.0021	0.0047	0.0092	EQUITIES		
USD/JPY	109.24	-0.03	-0.08	-0.22	-0.44			Index
GBP/USD	1.3841	0.0001	0.0002	0.0007	-0.0002	NZX50		12,720
EUR/GBP	0.8510	0.0005	0.0014	0.0030	0.0068	ASX200		7,582
						Dow Jones		35,606
						S&P 500		4,473
						FTSE100		7,154
						DAX 30		15,926
						Nikkei		27,523
						COMMODITIES		
								USD
						Dubai Light		68.82
						Brent Crude		69.73
						Gold		1,788.00
						Silver		23.89
						CRB Index		229.52

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	0.57%	0.53%	-0.01%	0.02%
90 day bank bills	0.69%	0.65%	0.04%	0.00%
FRA 90d in 3mths	1.06%	1.03%	0.05%	0.02%
FRA 180d in 6mths	1.39%	1.36%	0.10%	0.09%
1 year swap	1.11%	1.09%	0.06%	0.04%
2 year swap	1.37%	1.35%	0.23%	0.21%
3 year swap	1.52%	1.49%	0.41%	0.40%
5 year swap	1.70%	1.68%	0.76%	0.66%
10 year swap	2.01%	1.98%	1.29%	1.28%
10 year Govt bond		1.80%		1.16%

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