

Market Alert

Wednesday 18 August 2021

CURRENCIES	Spot	6mths
NZD/USD	0.6916	-0.0015
NZD/AUD	0.9536	-0.0030
NZD/JPY	75.80	-0.32
NZD/EUR	0.5907	-0.0037
NZD/GBP	0.5036	-0.0014
NZD/CNH	4.4904	0.0563
AUD/USD	0.7254	0.0007
AUD/EUR	0.6195	-0.0019
EUR/USD	1.1709	0.0048
USD/CNH	6.4917	0.0960
GBP/USD	1.3736	0.0007
EUR/GBP	0.8525	0.0030

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.61%	0.02%
2 year swap	1.24%	0.21%
10 year Govt	1.73%	1.14%

Anything Australia can do ...

New Zealand can do just as well! Let the lockdown games begin ...

With the announcement that New Zealand had been plunged into a new lockdown, the implications were quickly apparent as the NZD, local yields, and swap pricing fell across the board. Breaking it down further, the NZD fell a cent against the USD, yields were off 8-9 pips, and swaps were down 13-14 points at the front end and 8-10 basis points at the long end as the curve steepened and

spreads compressed, but this was not solely a New Zealand story. International equity and commodity markets were also lower, while the dollar rose amid concerns that the global economic recovery is starting to lose momentum due to the resurging delta strain.

The data releases didn't provide any relief either ... US retail trade fell -1.1% in July, which was worse than the -0.3% forecast and well behind June's +0.7% due to declines in auto purchases. There was also a fall in homebuilder sentiment as the index fell to a 1-year low at 75, although there were rises in industrial production, +0.9% a bounce back from June's -0.2%, and business inventories which increased +0.8%.

Fed Chair, Jerome Powell, was also in full speech making mode emphasising that the Fed's "powerful tools" have limitations even though the "Fed is in the process of putting away its tools designed for actual emergencies". Mr Powell also added that COVID-19 will likely stay "for a while," and that the US is not going back to a pre-pandemic economy.

In other news

The UK unemployment rate printed at +4.7% in the 3-months to June, which was slightly better than the +4.8% expected, while wages grew at +8.8%.

In the European Union, GDP came out inline with expectations at +2.0% on the quarter to be at +13.6% on the year, although the number of people in jobs declined 0.5% in Q2 and 1.8% on the year. It was the 4th consecutive quarter of declines in the number of employed Europeans. Finally, the RBA minutes highlighted that policymakers may delay their taper timeline as the central bank "would be prepared to act in response to further bad news on the health front should that lead to a more significant setback for the economic recovery," but it wasn't all doom and gloom. The New Zealand global dairy auction actually produced a positive number with the overall index up +0.3% as butter increased +4.0%, although whole milk powder fell -1.5%.

So, where to from here? The local agenda is actually quite packed with the PM speaking at 1:00pm, the RBNZ release at 2:00pm, and the press conference at 3:00pm. As we've been alluding to, it was always going to be a difficult call for Adrian Orr in amongst the global surge in delta cases, and the New Zealand lockdowns will only re-enforce this point, but then again, 'The Governor' does like to keep us on our toes so it will be interesting to hear his comments at the Q&A.

Stay safe and keep on smiling!



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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	73.93					CAD	0.8732	0.9157
NZD/USD	0.6916	-0.0001	-0.0005	-0.0015	-0.0049	CHF	0.6328	0.6636
NZD/AUD	0.9536	-0.0003	-0.0011	-0.0030	-0.0079	CNY	4.4866	4.7052
NZD/JPY	75.80	-0.03	-0.11	-0.32	-0.83	DKK	4.3926	4.6066
NZD/EUR	0.5907	-0.0004	-0.0015	-0.0037	-0.0087	FJD	1.4448	1.5152
NZD/GBP	0.5036	-0.0001	-0.0005	-0.0014	-0.0035	HKD	5.3901	5.6526
						KRW	813.85	853.50
AU TWI	61.30					MYR	2.9380	3.0811
AUD/USD	0.7254	0.0001	0.0003	0.0007	0.0010	NOK	6.1649	6.4652
AUD/NZD	1.0487	0.0003	0.0012	0.0033	0.0088	SEK	6.0575	6.3526
AUD/JPY	79.51	-0.01	-0.02	-0.09	-0.21	SGD	0.9425	0.9884
AUD/EUR	0.6195	-0.0003	-0.0008	-0.0019	-0.0040	TWD	19.29	20.23
AUD/GBP	0.5281	0.0000	0.0001	0.0002	0.0007	ZAR	10.3105	10.8127
USD Index	93.13							
EUR/USD	1.1709	0.0007	0.0021	0.0048	0.0092	EQUITIES		
USD/JPY	109.61	-0.03	-0.08	-0.22	-0.44			Index
GBP/USD	1.3736	0.0001	0.0002	0.0007	-0.0001	NZX50		12,635
EUR/GBP	0.8525	0.0005	0.0014	0.0030	0.0067	ASX200		7,511
						Dow Jones		35,343
INTEREST RATES						S&P 500		4,448
		New Zealand		Australia		FTSE100		7,181
		Borrow	Invest	Borrow	Invest	DAX 30		15,922
30 day bank bills		0.52%	0.48%	0.02%	0.02%	Nikkei		27,424
90 day bank bills		0.63%	0.59%	0.04%	-0.01%	COMMODITIES		
FRA 90d in 3mths		0.77%	0.74%	0.05%	0.02%			USD
FRA 180d in 6mths		1.26%	1.24%	0.10%	0.09%	Dubai Light		68.51
1 year swap		1.00%	0.97%	0.06%	0.04%	Brent Crude		69.18
2 year swap		1.26%	1.23%	0.22%	0.20%	Gold		1,785.09
3 year swap		1.41%	1.38%	0.40%	0.39%	Silver		23.64
5 year swap		1.60%	1.57%	0.71%	0.68%	CRB Index		227.59
10 year swap		1.92%	1.90%	1.26%	1.25%			
10 year Govt bond			1.70%		1.14%			

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