

Market Alert

Monday 2 August 2021

CURRENCIES	Spot	6mths
NZD/USD	0.6971	-0.0013
NZD/AUD	0.9503	-0.0025
NZD/JPY	76.50	-0.28
NZD/EUR	0.5871	-0.0034
NZD/GBP	0.5014	-0.0012
NZD/CNH	4.5049	0.0593
AUD/USD	0.7336	0.0006
AUD/EUR	0.6180	-0.0019
EUR/USD	1.1869	0.0047
USD/CNH	6.4633	0.0970
GBP/USD	1.3900	0.0007
EUR/GBP	0.8539	0.0030

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.48%	0.02%
2 year swap	1.05%	0.20%
10 year Govt	1.65%	1.18%

The data is good, it's just not great!

As you may have noticed recently, the data releases have tended to under shoot expectations, and this trend continued on Friday ...

Chinese PMI data was mildly positive after manufacturing printed at 50.4, down from 50.9 a month earlier and missing market expectations at 50.8, while non-manufacturing dropped to a 5 month low of 53.3 in July, down from June's 53.5.

In the US, core PCE prices, which exclude food and energy, increased at a modest 0.4% in the month to June, easing back from the 0.5% rise in May and below

forecasts of 0.6%, while personal consumption surged 1.0% in June. Meanwhile the Atlanta Fed kicked off the Q3 releases announcing that they are forecasting Q3 GDP at 6.1% which keeps up the impressive recovery although it is on the lower side of expectations which are around the 7.2% level.

In the Eurozone, Q2 GDP expanded at 2.0% to rebound into positive territory after two consecutive periods of contraction and beating market expectations of 1.5%, while the July CPI release printed at -0.1% on the month.

With amazing insight, Minneapolis Fed President, Neel Kashkari, announced, *"I was very optimistic the fall would be a strong labour market with many of those Americans coming back to work, but if people are nervous about the COVID-19 Delta variant, that could slow some of that labour market recovery and therefore be a drag on our economic recovery."*

In other news, Canada, one of the first central banks to start tapering, has extended its pandemic related wage and rent subsidies until October 2023. In the US the SEC has incorporated new disclosure requirements on Chinese IPOs amid Beijing's listing crackdown.

Saturday morning saw the global stock markets end the week lower amid concerns about the economic recovery in the face of the spreading COVID-19 Delta variant and China's crackdown on large technology companies.

Bourses were broadly down -0.5%, while commodities were mixed, as were bonds and currencies. The 10 year treasury bond opens this morning at 1.22%, while the NZD and AUD are flat.

This week will be all about Friday nights US jobs report, while the US earnings season continues with Berkshire Hathaway, General Motors and Uber all due to report. Following on from China's PMI releases, we have surveys from most of the developed economies, as well as central bank announcements from the UK and Australia. Other releases include trade figures for the US, Canada, and China.

Let the jousting begin

With Federal Reserve Chairman, Jerome Powell's, current 4 year term as chair set to expire in February 2022, Fed Governor, Lael Brainard, decided it was time to stake out some different ground as the policy makers await a presidential decision on who should lead the central bank in the upcoming 4 year term.

Lael Brainard stated she's much more inclined to use regulatory tools to head off financial excesses like asset bubbles than the Powell-led central bank has been, and that she is willing to adopt a central bank digital currency.



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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	74.01					CAD	0.8699	0.9154
NZD/USD	0.6971	-0.0001	-0.0004	-0.0013	-0.0040	CHF	0.6315	0.6646
NZD/AUD	0.9503	-0.0003	-0.0009	-0.0025	-0.0065	CNY	4.5027	4.7384
NZD/JPY	76.50	-0.03	-0.10	-0.28	-0.73	DKK	4.3698	4.5986
NZD/EUR	0.5871	-0.0004	-0.0014	-0.0034	-0.0079	FJD	1.4563	1.5326
NZD/GBP	0.5014	-0.0001	-0.0004	-0.0012	-0.0030	HKD	5.4155	5.6990
						KRW	802.25	844.25
AU TWI	61.60					MYR	2.9632	3.1183
AUD/USD	0.7336	0.0001	0.0003	0.0006	0.0008	NOK	6.1520	6.4741
AUD/NZD	1.0524	0.0003	0.0010	0.0028	0.0072	SEK	5.9893	6.3028
AUD/JPY	80.46	-0.01	-0.03	-0.08	-0.22	SGD	0.9446	0.9940
AUD/EUR	0.6180	-0.0003	-0.0009	-0.0019	-0.0041	TWD	19.58	20.61
AUD/GBP	0.5277	0.0001	0.0001	0.0002	0.0005	ZAR	10.1822	10.7153
USD Index	92.17							
EUR/USD	1.1869	0.0007	0.0022	0.0047	0.0092	EQUITIES		
USD/JPY	109.69	-0.03	-0.08	-0.21	-0.41			Index
GBP/USD	1.3900	0.0001	0.0003	0.0007	0.0002	NZX50		12,595
EUR/GBP	0.8539	0.0004	0.0014	0.0030	0.0065	ASX200		7,393
						Dow Jones		34,935
						S&P 500		4,395
						FTSE100		7,032
						DAX 30		15,544
						Nikkei		27,284
						COMMODITIES		
								USD
						Dubai Light		73.32
						Brent Crude		75.41
						Gold		1,813.85
						Silver		25.48
						CRB Index		231.77

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	0.35%	0.31%	0.00%	0.02%
90 day bank bills	0.50%	0.46%	0.04%	0.00%
FRA 90d in 3mths	0.81%	0.78%	0.05%	0.02%
FRA 180d in 6mths	1.03%	1.00%	0.11%	0.09%
1 year swap	0.83%	0.81%	0.07%	0.05%
2 year swap	1.06%	1.04%	0.21%	0.19%
3 year swap	1.23%	1.21%	0.37%	0.36%
5 year swap	1.47%	1.45%	0.69%	0.68%
10 year swap	1.82%	1.80%	1.31%	1.31%
10 year Govt bond		1.63%		1.18%

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