

Market Alert

Friday 20 August 2021

CURRENCIES	Spot	6mths
NZD/USD	0.6831	-0.0009
NZD/AUD	0.9554	-0.0023
NZD/JPY	74.99	-0.26
NZD/EUR	0.5850	-0.0032
NZD/GBP	0.5009	-0.0010
NZD/CNH	4.4411	0.0570
AUD/USD	0.7150	0.0008
AUD/EUR	0.6123	-0.0018
EUR/USD	1.1676	0.0047
USD/CNH	6.5018	0.0924
GBP/USD	1.3638	0.0007
EUR/GBP	0.8562	0.0030

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.43%	0.01%
2 year swap	1.22%	0.19%
10 year Govt	1.75%	1.08%

Fingers crossed

As we watch the NZ COVID-19 Delta variant numbers start to come in, the initial reaction was the numbers weren't growing exponentially. Fingers crossed that trend continues!

US jobless claims continued its downward trend printing at 348,000, while the Philly Fed Index slowed for the 4th month at 19.4. Goldman Sachs cut its US Q3 GDP forecast to 5.5% due to the delta variant. We're not sure whether there's a trend here, but Goldman's were forecasting 8.5% at the end of July, and 9.5% prior to that!

Following on from the ECB's internal review and the lifting of its inflation goal

to 2.0%, chief economist, Philip Lane, stated that *"the revision to rate forward guidance constitutes just the first step in implementing our new strategy."*

A strong Australian July employment report showed that a further 2,200 workers were added to the workforce, which was considerably better than the -46,200 contraction that was expected, which saw the overall unemployment rate fall to its lowest level since 2009 hitting 4.6%! Good news all-round with the participation rate in line with expectations at 66.0%, although the underemployment rate increased to 8.3%.

Meanwhile, Mr Orr spoke to a 'working group' of MP's (isn't that an oxymoron?) re-iterating that *"house prices are above sustainable levels. It's highly likely RBNZ would have hiked rates without the latest delta lockdown. Our view is to increase the cash rate towards a more neutral level over the next 18 months."* We suspect the RBNZ view 2.0% as the new neutral rate. Current pricing is at 60% for a hike in October, and 52% for a second hike in November.

President Xi Jinping, in a move to appease the middle-classes, has offered an outline for *"common prosperity,"* which essentially put the country's wealthiest citizens on notice.

There seems to be a bit of a trend here with iron ore, luxury stocks, and the dollar all sending the same message... investors are getting uneasy as concerns

build over the Chinese economy recovery, the resurgence of COVID-19 via the delta strain, and the increased possibility of tapering by the Federal Reserve. European stocks dropped the most in a month, while US equities are mixed. Commodities are a sea of red, and the VIX, which measures market volatility, is on track for its biggest weekly surge since January. The 10-year Treasury eased to 1.25%, the bund and the NZ 10-year yields are unchanged at -0.49% and 1.77%, although the AU 10-year fell over 5 points to 1.09%. The current bout of USD strength continued with a close at these levels suggesting further momentum, which will keep the EUR, NZD and AUD under pressure.

Today's thought piece

While the resurgence of COVID-19 has accelerated the decline of commodities, the slump in metals such as copper and iron ore also fit into a historical pattern with credit tightening in China. Policy has shifted away from a tightening bias after the PBoC cut its reserve requirement ratio's in July, although growth hasn't slowed enough to warrant an aggressive easing, but it should be noted it is increasing rhetoric hinting that a fiscal easing is a possibility.

Stay safe, keep on smiling, and hey, let's be careful out there!



BANCORP

BANCORP TREASURY SERVICES LIMITED

Barrington
TREASURY SERVICES

Barrington
ASSET CONSULTING



BANCORP

BANCORP CORPORATE FINANCE LIMITED

Daily Rates

Friday 20 August 2021

FX	Spot Mid	FECs (mid)				Spot Mid		
		1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	73.29					CAD	0.8758	0.9167
NZD/USD	0.6831	0.0000	-0.0002	-0.0009	-0.0041	CHF	0.6277	0.6570
NZD/AUD	0.9554	-0.0002	-0.0007	-0.0023	-0.0071	CNY	4.4357	4.6430
NZD/JPY	74.99	-0.02	-0.08	-0.26	-0.75	DKK	4.3507	4.5540
NZD/EUR	0.5850	-0.0004	-0.0012	-0.0032	-0.0081	FJD	1.4396	1.5069
NZD/GBP	0.5009	0.0000	-0.0002	-0.0010	-0.0030	HKD	5.3208	5.5694
						KRW	803.43	840.98
AU TWI	60.50					MYR	2.8922	3.0273
AUD/USD	0.7150	0.0001	0.0003	0.0008	0.0011	NOK	6.1706	6.4589
AUD/NZD	1.0467	0.0002	0.0008	0.0025	0.0079	SEK	6.0135	6.2946
AUD/JPY	78.49	-0.01	-0.02	-0.08	-0.20	SGD	0.9322	0.9757
AUD/EUR	0.6123	-0.0003	-0.0008	-0.0018	-0.0039	TWD	19.11	20.00
AUD/GBP	0.5243	0.0000	0.0002	0.0003	0.0008	ZAR	10.3963	10.8822
USD Index	93.56							
EUR/USD	1.1676	0.0007	0.0021	0.0047	0.0093	EQUITIES		
USD/JPY	109.79	-0.03	-0.08	-0.23	-0.45			Index
GBP/USD	1.3638	0.0001	0.0002	0.0007	0.0001	NZX50		12,957
EUR/GBP	0.8562	0.0005	0.0014	0.0030	0.0068	ASX200		7,465
						Dow Jones		34,885
						S&P 500		4,414
						FTSE100		7,059
						DAX 30		15,766
						Nikkei		27,281
						COMMODITIES		
								USD
						Dubai Light		64.89
						Brent Crude		67.00
						Gold		1,780.51
						Silver		23.22
						CRB Index		222.20

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