

# Market Alert

Tuesday 3 August 2021

CURRENCIES	Spot	6mths
NZD/USD	0.6969	-0.0013
NZD/AUD	0.9469	-0.0026
NZD/JPY	76.17	-0.28
NZD/EUR	0.5870	-0.0034
NZD/GBP	0.5018	-0.0012
NZD/CNH	4.5042	0.0570
AUD/USD	0.7360	0.0006
AUD/EUR	0.6199	-0.0019
EUR/USD	1.1872	0.0047
USD/CNH	6.4646	0.0940
GBP/USD	1.3889	0.0007
EUR/GBP	0.8548	0.0029

  

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.50%	0.02%
2 year swap	1.05%	0.18%
10 year Govt	1.66%	1.18%

## PMI day of reckoning

The US ISM manufacturing PMI data told a familiar story ... while it was still in expansionary territory at 59.5 in July, it actually fell to its lowest level in 6 months and eased back from June's 60.6. It was also below the forecast of 60.9 as new orders, production and supplier deliveries all increased less than expected, while inventories contracted.

Another key take-away was that employment rebounded and prices pressures eased. On the positive side, the final Markit PMI release firmed to 63.4 versus its preliminary 63.1 release, while

construction spending edged up 0.1% on the month.

In China, the Caixin manufacturing PMI index mirrored the US data with a weaker than expected 50.3 in July, which was down on June's 51.3 and below market estimates of 51.0, producing its lowest reading since April 2020. Meanwhile, Chinese authorities have established a CNY210 billion, or USD32 billion, fund to ease funding constraints for state owned firms and to guard against defaults.

Wait a minute, isn't this getting a little repetitive? Australian PMI's painted a similar contractionary story after the Markit manufacturing index for July printed at 56.9 from June's 58.6 due to "issues of supply constraints and price pressures as lead times lengthened and price inflation heightened. Some firms continued to report difficulties in recruiting staff to meet production requirements."

Meanwhile, the AiG manufacturing PMI index headlined at 60.8 in July, down from June's 63.2 as "supply chain disruptions, input costs and difficulties finding suitable staff in July."

We also had the Australia job ads for July which showed a -0.5% decline on the month, which was down on the previous months 3.0%, while the Melbourne Institute's July CPI print headlined at 0.5% on the month and 2.6% on the year. The core was at 0.5% and 1.9% respectively.

So, what did the markets make of it all? In short, not a lot! European equities closed at new highs on positive earnings and an easing of concerns in relation to China's regulatory crackdown.

The S&P and Dow erased gains, while the Nasdaq 100 fell from earlier highs as investors considered the impact of the 10 year Treasury yield hitting a low of 1.15%, although it has since firmed to 1.18%. The bund is at -0.49% while the NZD and AUD are flat ahead of today's RBA.

Fed perma-bull, Governor Christopher Waller, announced that "inflation is running well above (our) 2.0% target. If the next 2 jobs reports come in as strong as the last one, we can taper by September, if not, we may need to push it. We could make an announcement on tapering by September."

Perhaps Mr Waller should take into account the millions of jobless Americans that are poised to lose their COVID-19 era income support with the programs set to expire on Labour Day, the 6th of September.

## Who's going to buy our treasuries now?

The Japan's Government Pension Investment Fund ("GPIF") has cut its weighting of US government bonds and bills to 35% of overseas debt in the 12 months to March 2021. This compares with a holding of 47% in the previous 12 months to March 2020.



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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	73.91					CAD	0.8717	0.9206
NZD/USD	0.6969	-0.0001	-0.0004	-0.0013	-0.0041	CHF	0.6307	0.6661
NZD/AUD	0.9469	-0.0002	-0.0010	-0.0026	-0.0065	CNY	4.5031	4.7559
NZD/JPY	76.17	-0.03	-0.10	-0.28	-0.73	DKK	4.3666	4.6117
NZD/EUR	0.5870	-0.0004	-0.0014	-0.0034	-0.0079	FJD	1.4571	1.5389
NZD/GBP	0.5018	-0.0001	-0.0004	-0.0012	-0.0030	HKD	5.4164	5.7204
						KRW	802.00	847.02
AU TWI	61.60					MYR	2.9470	3.1124
AUD/USD	0.7360	0.0001	0.0003	0.0006	0.0008	NOK	6.1582	6.5038
AUD/NZD	1.0561	0.0003	0.0011	0.0029	0.0073	SEK	5.9922	6.3285
AUD/JPY	80.45	-0.01	-0.02	-0.08	-0.22	SGD	0.9430	0.9959
AUD/EUR	0.6199	-0.0003	-0.0009	-0.0019	-0.0041	TWD	19.46	20.56
AUD/GBP	0.5299	0.0000	0.0001	0.0002	0.0005	ZAR	10.0819	10.6478
USD Index	92.09							
EUR/USD	1.1872	0.0008	0.0022	0.0047	0.0092	<b>EQUITIES</b>		
USD/JPY	109.31	-0.03	-0.08	-0.21	-0.41			<b>Index</b>
GBP/USD	1.3889	0.0001	0.0003	0.0007	0.0002	NZX50		12,703
EUR/GBP	0.8548	0.0005	0.0014	0.0029	0.0065	ASX200		7,491
						Dow Jones		34,838
<b>INTEREST RATES</b>						S&P 500		4,388
		<b>New Zealand</b>		<b>Australia</b>		FTSE100		7,082
		<b>Borrow</b>	<b>Invest</b>	<b>Borrow</b>	<b>Invest</b>	DAX 30		15,569
30 day bank bills		0.39%	0.35%	0.00%	0.02%	Nikkei		27,781
90 day bank bills		0.52%	0.48%	0.04%	0.00%	<b>COMMODITIES</b>		
FRA 90d in 3mths		0.77%	0.74%	0.05%	0.02%			<b>USD</b>
FRA 180d in 6mths		1.03%	1.00%	0.11%	0.09%	Dubai Light		72.90
1 year swap		0.84%	0.82%	0.06%	0.05%	Brent Crude		73.05
2 year swap		1.06%	1.04%	0.20%	0.17%	Gold		1,813.33
3 year swap		1.22%	1.20%	0.36%	0.33%	Silver		25.40
5 year swap		1.46%	1.44%	0.66%	0.65%	CRB Index		229.29
10 year swap		1.81%	1.79%	1.25%	1.23%			
10 year Govt bond			1.65%		1.18%			

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