

# Market Alert

Thursday 5 August 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7044	-0.0018
NZD/AUD	0.9544	-0.0033
NZD/JPY	77.10	-0.34
NZD/EUR	0.5951	-0.0039
NZD/GBP	0.5072	-0.0015
NZD/CNH	4.5505	0.0533
AUD/USD	0.7381	0.0006
AUD/EUR	0.6235	-0.0019
EUR/USD	1.1837	0.0046
USD/CNH	6.4606	0.0928
GBP/USD	1.3889	0.0006
EUR/GBP	0.8523	0.0029

  

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.62%	0.02%
2 year swap	1.23%	0.21%
10 year Govt	1.73%	1.15%

## Up, up, and away!

The New Zealand Q2 employment report produced a stellar headline with the unemployment rate falling to 4.0% from Q1's 4.7%. In terms of the inputs, the employment change increased by +1.0% on the quarter and +1.7% on the year, while the participation rate was at 70.5%, the labour cost index rose +0.9%, and private wages rose +2.2% on the year or +0.9% including overtime.

These strong numbers have seen the four major banks all forecast 3 rate hikes by year end, with individual 25bps hikes at the August, October, and November

RBNZ meetings. The futures market is now pricing in a full 25 bps hike in August, with a 16% chance that they will go for 50 points, while short-end swap rates rallied 9-12 bps and the NZD spiked to a high of 0.7089 overnight.

In other New Zealand news, the commodity price index of New Zealand's 17 main commodity exports fell -1.4% in July from June's record high, but in NZD terms, the index rose +0.1% as the lower commodity prices were offset by a softer NZD.

The US data overnight was contraindicatory after private businesses hired just 330,000 workers in July, which was well below market expectations of 695,000, and the softest pace of job creation since February. Against this, ISM non-manufacturing PMIs rose to 64.1 in July, well above market expectations of 60.5 and above June's 60.1 in what was the steepest pace of expansion in the service sector since comparable records began in 1997.

In the US, Dallas Fed president, Robert Kaplan, caused a bit of a stir after he questioned the efficiency of the Fed's asset purchase program stating that *"tapering should start soon and be gradual. Tapering soon allows the Fed more flexibility on tightening. A faster taper does not mean that the Fed will raise rates faster. It is critical to divorce decisions on tapering from decision on rates."* Mr Kaplan will also reassess his own view on a H2022 interest

rate hike while Fed Vice-Chair, Richard Clarida, said the central bank was on track to begin interest rates hikes in 2023 with a possible taper announcement later this year. Treasury Secretary, Janet Yellen, was also on the newswires stating she *"expects inflation levels to come down to levels consistent with price stability."*

While European and Asian equity bourses had spent their sessions in positive territory, US equities slumped after Richard Clarida's comments suggested rates could rise by 2023 and the mixed economic data. The yield on the 10 year Treasury initially hit the 1.13% level again before rallying back to 1.17% while the US dollar strengthened after an initial bout of weakness. This saw the NZD hold on to its gains although the AUD weakened.

## And the rest

Australian retail sales fell -1.8% in June and the market services PMI contracted to 44.2 in July while construction PMIs printed at 48.7. The caixin China general services PMI climbed to 54.9 in July from June's 14-month low of 50.3, while Eurozone retail sales were up 1.5% in June following on from May's downwardly revised 4.1%.



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# Daily Rates

Thursday 5 August 2021

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	74.70					CAD	0.8840	0.9263
NZD/USD	0.7044	-0.0001	-0.0006	-0.0018	-0.0054	CHF	0.6383	0.6688
NZD/AUD	0.9544	-0.0002	-0.0012	-0.0033	-0.0083	CNY	4.5546	4.7724
NZD/JPY	77.10	-0.03	-0.12	-0.34	-0.87	DKK	4.4250	4.6367
NZD/EUR	0.5951	-0.0004	-0.0016	-0.0039	-0.0091	FJD	1.4670	1.5372
NZD/GBP	0.5072	-0.0001	-0.0005	-0.0015	-0.0039	HKD	5.4772	5.7391
						KRW	805.36	843.89
AU TWI	61.70					MYR	2.9841	3.1268
AUD/USD	0.7381	0.0001	0.0003	0.0006	0.0008	NOK	6.2313	6.5294
AUD/NZD	1.0478	0.0003	0.0013	0.0037	0.0092	SEK	6.0669	6.3570
AUD/JPY	80.78	-0.01	-0.02	-0.08	-0.22	SGD	0.9517	0.9972
AUD/EUR	0.6235	-0.0003	-0.0009	-0.0019	-0.0041	TWD	19.67	20.61
AUD/GBP	0.5314	0.0000	0.0001	0.0002	0.0006	ZAR	10.1201	10.6041
USD Index	92.27							
EUR/USD	1.1837	0.0007	0.0021	0.0046	0.0091	<b>EQUITIES</b>		
USD/JPY	109.46	-0.02	-0.08	-0.20	-0.41			<b>Index</b>
GBP/USD	1.3889	0.0001	0.0002	0.0006	0.0000	NZX50		12,797
EUR/GBP	0.8523	0.0005	0.0014	0.0029	0.0065	ASX200		7,503
						Dow Jones		34,805
						S&P 500		4,408
						FTSE100		7,124
						DAX 30		15,692
						Nikkei		27,584
						<b>COMMODITIES</b>		
								<b>USD</b>
						Dubai Light		70.73
						Brent Crude		70.31
						Gold		1,811.96
						Silver		25.40
						CRB Index		226.93

  

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	0.50%	0.46%	0.02%	0.02%
90 day bank bills	0.64%	0.60%	0.04%	-0.01%
FRA 90d in 3mths	1.02%	0.99%	0.05%	0.02%
FRA 180d in 6mths	1.03%	1.00%	0.11%	0.09%
1 year swap	1.02%	1.00%	0.07%	0.05%
2 year swap	1.24%	1.22%	0.22%	0.20%
3 year swap	1.38%	1.36%	0.38%	0.37%
5 year swap	1.57%	1.55%	0.68%	0.66%
10 year swap	1.88%	1.86%	1.26%	1.24%
10 year Govt bond		1.71%		1.15%

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