

# Market Alert

Thursday 15 July 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7031	-0.0011
NZD/AUD	0.9400	-0.0023
NZD/JPY	77.31	-0.28
NZD/EUR	0.5941	-0.0033
NZD/GBP	0.5074	-0.0011
NZD/CNH	4.5410	0.0545
AUD/USD	0.7480	0.0007
AUD/EUR	0.6320	-0.0020
EUR/USD	1.1835	0.0048
USD/CNH	6.4581	0.0880
GBP/USD	1.3859	0.0009
EUR/GBP	0.8540	0.0029

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.39%	0.03%
2 year swap	0.98%	0.23%
10 year Govt	1.75%	1.34%

## Rates ready for lift-off?

While leaving the OCR at 0.25% was not a surprise, the MPC agreed to reduce the level of monetary stimulus via the LSAP programme to zero by 23 July. In saying that, the RBNZ reiterated the LSAP programme remains an important tool for supporting the functioning of the New Zealand debt market and remains an important monetary policy tool if needed. And while the RBNZ stated that medium-term inflation and employment would likely remain below its objectives, the market is now pricing in a 68% chance of a hike by October!

Looking at it objectively, I suppose the second most interesting point after the

withdrawal of the LSAP programme was the fact there was no real forward guidance in the statement, and that we haven't heard any additional comments. Maybe we'll hear something in the next day or two, but given the accelerating state of the Australian lockdowns, it wouldn't take a lot for this market pricing to reverse.

We also had Fed Chair, Jerome Powell, presenting his semi-annual Monetary Policy Report to Congress, noting that the Fed's benchmark of "substantial further progress" toward full employment and stable prices remains "a ways off." He also remarked that officials are talking about QE, before adding "The Fed lacks certainty on transitory inflation but believes it to be the case." He also added that the Fed is ready to intervene if inflation spirals out of control, pointing out that price rises are notable and will likely remain elevated in the coming months before moderating.

The Bank of Canada left its key overnight rate unchanged at 0.25%, as expected, but adjusted its QE programme, easing weekly purchases to CAD2 billion from CAD3 billion per week.

In data news, US producer prices jumped 1.0% on the month in June, higher than market forecasts of 0.6%, while annualised UK inflation increased to 2.5% in June from 2.1% in May, well above market forecasts of 2.2%.

So, with the RBNZ and BoC withdrawing stimulus, and Mr. Powell stating the US

economic recovery still hasn't progressed enough to begin tapering QE, the USD eased against its major trading partners. The NZD was the best performer, gaining 1.20%, while the AUD and EUR gained 0.40% and 0.50%. The 10-year treasury is at 1.35%, while NZ swaps have held on to yesterday's gain. Equities are mildly stronger in the US but weaker in Europe.

The South China Morning Post reports that China's recovery from Covid may be losing steam as "One of the key issues for the second half (of 2021) is how supportive the government policies will become after realising the possible economic slowdown down the road."

## Don't 'de-fund' the Police ...

Let them generate their own revenues!

This week UK police seized GBP180 million of an undisclosed cryptocurrency, less than a month after making a GBP114 million haul. In a new take on Police funding, a spokesman stated, "While cash still remains king in the criminal world, we're increasingly seeing organised criminals using cryptocurrency to launder their dirty money."



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# Daily Rates

Thursday 15 July 2021

FX	Spot	FECs (mid)				Spot Mid	
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...
NZ TWI	74.41					CAD	0.8794 0.9355
NZD/USD	0.7031	-0.0001	-0.0004	-0.0011	-0.0037	CHF	0.6429 0.6840
NZD/AUD	0.9400	-0.0002	-0.0009	-0.0023	-0.0058	CNY	4.5501 4.8408
NZD/JPY	77.31	-0.02	-0.10	-0.28	-0.72	DKK	4.4185 4.7008
NZD/EUR	0.5941	-0.0004	-0.0014	-0.0033	-0.0077	FJD	1.4594 1.5526
NZD/GBP	0.5074	-0.0001	-0.0004	-0.0011	-0.0029	HKD	5.4608 5.8097
						KRW	807.54 859.13
AU TWI	62.40					MYR	2.9430 3.1310
AUD/USD	0.7480	0.0001	0.0003	0.0007	0.0008	NOK	6.1467 6.5394
AUD/NZD	1.0639	0.0002	0.0010	0.0026	0.0066	SEK	6.0596 6.4467
AUD/JPY	82.25	-0.01	-0.03	-0.10	-0.26	SGD	0.9512 1.0120
AUD/EUR	0.6320	-0.0003	-0.0009	-0.0020	-0.0043	TWD	19.62 20.87
AUD/GBP	0.5397	0.0000	0.0001	0.0001	0.0002	ZAR	10.1819 10.8323
USD Index	92.38						
EUR/USD	1.1835	0.0007	0.0022	0.0048	0.0093	EQUITIES	
USD/JPY	109.97	-0.03	-0.08	-0.23	-0.45		Index
GBP/USD	1.3859	0.0001	0.0003	0.0009	0.0008	NZX50	12,720
EUR/GBP	0.8540	0.0005	0.0014	0.0029	0.0062	ASX200	7,355
						Dow Jones	34,934
						S&P 500	4,378
						FTSE100	7,091
						DAX 30	15,789
						Nikkei	28,608
INTEREST		New Zealand		Australia		COMMODITIES	
RATES		Borrow	Invest	Borrow	Invest		USD
30 day bank bills		0.30%	0.26%	0.02%	0.02%	Dubai Light	75.05
90 day bank bills		0.41%	0.37%	0.05%	0.01%	Brent Crude	74.40
FRA 90d in 3mths		0.67%	0.64%	0.06%	0.03%	Gold	1,827.09
FRA 180d in 6mths		0.95%	0.89%	0.13%	0.12%	Silver	26.24
1 year swap		0.75%	0.73%	0.08%	0.06%	CRB Index	226.77
2 year swap		0.99%	0.97%	0.24%	0.22%		
3 year swap		1.18%	1.16%	0.41%	0.40%		
5 year swap		1.46%	1.44%	0.82%	0.74%		
10 year swap		1.86%	1.84%	1.43%	1.41%		
10 year Govt bond			1.73%		1.34%		

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