

Market Alert

Monday 5 July 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7027	-0.0006
NZD/AUD	0.9337	-0.0016
NZD/JPY	78.00	-0.23
NZD/EUR	0.5922	-0.0029
NZD/GBP	0.5082	-0.0008
NZD/CNH	4.5481	0.0553
AUD/USD	0.7527	0.0007
AUD/EUR	0.6343	-0.0020
EUR/USD	1.1865	0.0048
USD/CNH	6.4723	0.0843
GBP/USD	1.3828	0.0009
EUR/GBP	0.8580	0.0029

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.35%	0.03%
2 year swap	0.80%	0.25%
10 year Govt	1.82%	1.48%

It's all about the non-farm payroll

Friday's non-farm payrolls release saw 850,000 jobs added to the US workforce, which was ahead of the pre-release estimate of 720,000 and better than the upwardly revised 583,000 in May. However, the unemployment rate rose to 5.9% from 5.8% even though the participation rate was unchanged at 61.6%. Wages were up 0.3% for the month and 3.6% year over year, both in line with expectations.

From a market perspective, it was a very positive report reflecting an acceleration

in hiring as the wage support programmes start to expire. Demand for labour also remained robust as firms strived to keep pace with broader economic growth, fuelled by the lifting of restrictions on business and social activity, mass vaccinations and trillions of dollars in federal relief. Even though this news was exceedingly positive, the cold hard fact remains that US payrolls are still 6.76 million below their pre-pandemic level, underscoring how far the labour market is from a full recovery.

As with everything these days, good news is always followed with a warning, and on Friday, it came from ECB President, Christine Lagarde, and Fed Chair, Jerome Powell. Christine Lagarde lamented the uncertainty posed by the more transmissible so-called delta variant, a threat the European Commission may well acknowledge in its quarterly forecast later in the week, while Jerome Powell has warned that new strains remain a risk to the economy after US health officials suggested the delta variant may eclipse other mutations in the US within weeks.

The markets don't care about new COVID-19 strains and variants, and with their own agenda at play, pushing the S&P and the Nasdaq to yet again new all-time highs, while the Dow Jones hit a 4 week intraday high. European and Asian markets also extended gains to close out the week in positive territory ahead of Monday's Independence Day holiday. Let's hope

Will Smith is free just in case the aliens come back!

Post the non-farm payrolls release, the US dollar immediately spiked to a multi-month high, although the index soon lost momentum as speculators focused on the unemployment and participation rates. This, combined with profit taking saw the USD lose its momentum to turn negative on the day. This predominately benefited the NZD and AUD, and to a lesser extent, the EUR, which all bounced to key resistance levels. Interestingly, one of the local banks has announced the RBNZ may reduce its QE purchases in August or September.

And the best of the rest

In other news, Atlanta Fed lowered its Q2 GDP growth forecast to 7.8% from 8.6% while in the Euro-zone, May PPI printed at +1.3% against a forecast +1.2% as supply chain disruptions saw monthly increases of 1.8% for intermediate goods, 0.4% for capital goods, and 0.3% for durable and non-durable consumer goods.

Australia announced it will cut international arrivals by 50% due to the COVID-19 delta strain risk, although the travel bubble between New Zealand and Victoria, South Australia, Tasmania, and ACT re-opens this morning, which should be good news for the ski-fields in the South Island.



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Daily Rates

Monday 5 July 2021

FX	Spot	FECs (mid)				Spot Mid	
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...
NZ TWI	74.09					CAD	0.8657 0.9272
NZD/USD	0.7027	-0.0001	-0.0002	-0.0006	-0.0023	CHF	0.6476 0.6936
NZD/AUD	0.9337	-0.0002	-0.0007	-0.0016	-0.0040	CNY	4.5334 4.8555
NZD/JPY	78.00	-0.03	-0.08	-0.23	-0.57	DKK	4.4057 4.7188
NZD/EUR	0.5922	-0.0004	-0.0013	-0.0029	-0.0065	FJD	1.4551 1.5585
NZD/GBP	0.5082	-0.0001	-0.0003	-0.0008	-0.0020	HKD	5.4629 5.8511
						KRW	797.67 854.36
AU TWI	62.50					MYR	2.8981 3.1041
AUD/USD	0.7527	0.0001	0.0003	0.0007	0.0008	NOK	6.0521 6.4821
AUD/NZD	1.0711	0.0003	0.0008	0.0019	0.0046	SEK	6.0096 6.4366
AUD/JPY	83.53	-0.01	-0.03	-0.10	-0.26	SGD	0.9468 1.0141
AUD/EUR	0.6343	-0.0003	-0.0009	-0.0020	-0.0043	TWD	19.48 20.86
AUD/GBP	0.5443	0.0000	0.0001	0.0001	0.0002	ZAR	10.0113 10.7228
USD Index	92.23						
EUR/USD	1.1865	0.0007	0.0022	0.0048	0.0094	EQUITIES	
USD/JPY	110.98	-0.03	-0.09	-0.23	-0.46		Index
GBP/USD	1.3828	0.0001	0.0003	0.0009	0.0010	NZX50	12,712
EUR/GBP	0.8580	0.0005	0.0014	0.0029	0.0062	ASX200	7,309
						Dow Jones	34,786
						S&P 500	4,352
						FTSE100	7,123
						DAX 30	15,650
						Nikkei	28,783
						COMMODITIES	
							USD
						Dubai Light	74.16
						Brent Crude	76.17
						Gold	1,786.75
						Silver	26.46
						CRB Index	228.44

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