

# Market Alert

Monday 23 August 2021

CURRENCIES	Spot	6mths
NZD/USD	0.6824	-0.0010
NZD/AUD	0.9580	-0.0023
NZD/JPY	74.91	-0.26
NZD/EUR	0.5834	-0.0032
NZD/GBP	0.5007	-0.0010
NZD/CNH	4.4356	0.0543
AUD/USD	0.7123	0.0007
AUD/EUR	0.6089	-0.0018
EUR/USD	1.1698	0.0048
USD/CNH	6.5018	0.0888
GBP/USD	1.3626	0.0007
EUR/GBP	0.8585	0.0030

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.39%	0.02%
2 year swap	1.17%	0.19%
10 year Govt	1.70%	1.08%

## Keep the spin going, doctor!

*"This is extraordinary news – 83.79% of New Zealanders, aged 50 to 51 and a half, have thought about opening their computers to make an appointment to contemplate getting a vaccination."*

And talking of politics, US Treasury Secretary, Janet Yellen, has told senior White House advisers that she supports the reappointment of Jerome Powell as Federal Reserve chair, according to people familiar with the matter. It is expected. President Joe Biden will announce his choice next month.

Fed member and perma-bull, Robert Kaplan, who had been calling for tapering to kick-off in October, announced *"The big 'imponderable' is the Delta virus. So far, the COVID-19 Delta variant is limiting production output. If COVID-19 Delta is having a more negative effect on GDP growth, it could cause me to adjust my views."*

Although there had been increasing chatter that the PBoC may look to cut their one-year loan prime rate (LPR) by 5-10 points, they actually left rate unchanged for the 16th month at 3.85% with the five year rate remaining at 4.65%.

One of the local banks has pushed back their call for an Australian rate hike by 6 months with the RBA on hold until the first half of 2024.

Looking at the actual data, Germany producer prices increased at the fastest rate since the oil crises in 1975 surging 10.4% on the year to July, up from June's 8.5% increase. The UK GfK consumer confidence index fell -8 versus the -7 expected while retail sales fell -2.5%. Finally, the Olympic related COVID-19 lockdowns didn't help Japanese spending as headline CPI fell -0.3% in the year to July, which was below the forecast of +0.6%.

Friday saw the week close with most bourses locking-in small gains, although most indexes posted weekly losses amid concerns, US tapering will likely start this year and the increasing impact of

the COVID-19 Delta strain. In fact, the Nasdaq Golden Dragon China Index, an index of stocks that are listed in the US those businesses conducted in China, lost more than 8% last week to be down 52% since its peak in February. Commodities were mixed, although there were some quite large losses across the energy sector, while yields were flat with the 10-year treasury opening at 1.255% and the bund at -0.49%.

Finally, the NZD and AUD were stable overnight Friday although the EUR firmed to close the week at the 1.1700 level.

## Looking further forward

This week we will be watching for details as to how the Delta is impacting upon economic activity, which will be reflected in the ECB minutes, Q2 GDP updates for the US and Germany, and PMIs from the US, UK, Eurozone, Japan, and Australia. We also have US personal spending and durable goods orders, Eurozone consumer morale, and China industrial profits.

However, the highlight of the week will come at the end on Friday with the long anticipated, virtual Jackson Hole Symposium, where the Fed's tapering and rate setting strategy for the next 12 months is expected to be indicated. The Fed Chairman, Jerome Powell, is expected to speak on Friday.

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



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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	73.26					CAD	0.8750 0.9134
NZD/USD	0.6824	0.0000	-0.0002	-0.0010	-0.0040	CHF	0.6250 0.6524
NZD/AUD	0.9580	-0.0002	-0.0007	-0.0023	-0.0070	CNY	4.4342 4.6288
NZD/JPY	74.91	-0.02	-0.08	-0.26	-0.75	DKK	4.3384 4.5288
NZD/EUR	0.5834	-0.0004	-0.0012	-0.0032	-0.0080	FJD	1.4509 1.5146
NZD/GBP	0.5007	0.0000	-0.0002	-0.0010	-0.0030	HKD	5.3262 5.5600
						KRW	806.22 841.61
AU TWI	60.00					MYR	2.8925 3.0194
AUD/USD	0.7123	0.0001	0.0003	0.0007	0.0010	NOK	6.1606 6.4310
AUD/NZD	1.0439	0.0002	0.0008	0.0026	0.0077	SEK	6.0133 6.2772
AUD/JPY	78.19	-0.01	-0.03	-0.08	-0.21	SGD	0.9296 0.9704
AUD/EUR	0.6089	-0.0003	-0.0008	-0.0018	-0.0039	TWD	19.16 20.00
AUD/GBP	0.5228	0.0000	0.0001	0.0003	0.0007	ZAR	10.4541 10.9130
USD Index	93.50						
EUR/USD	1.1698	0.0007	0.0021	0.0048	0.0093	EQUITIES	
USD/JPY	109.78	-0.03	-0.08	-0.23	-0.45		Index
GBP/USD	1.3626	0.0001	0.0002	0.0007	0.0001	NZX50	12,940
EUR/GBP	0.8585	0.0005	0.0014	0.0030	0.0067	ASX200	7,461
						Dow Jones	35,120
						S&P 500	4,442
						FTSE100	7,088
						DAX 30	15,808
						Nikkei	27,013
						COMMODITIES	
							USD
						Dubai Light	64.58
						Brent Crude	65.18
						Gold	1,780.81
						Silver	23.01
						CRB Index	219.96

  

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	0.30%	0.26%	0.00%	0.02%
90 day bank bills	0.41%	0.37%	0.04%	0.00%
FRA 90d in 3mths	0.73%	0.70%	0.04%	0.01%
FRA 180d in 6mths	1.15%	1.12%	0.08%	0.07%
1 year swap	0.84%	0.82%	0.05%	0.03%
2 year swap	1.18%	1.15%	0.20%	0.18%
3 year swap	1.37%	1.34%	0.36%	0.35%
5 year swap	1.58%	1.54%	0.66%	0.62%
10 year swap	1.87%	1.84%	1.22%	1.21%
10 year Govt bond		1.68%		1.08%

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