

# Market Alert

Friday 27 August 2021

CURRENCIES	Spot	6mths
NZD/USD	0.6980	-0.0013
NZD/AUD	0.9590	-0.0027
NZD/JPY	76.80	-0.30
NZD/EUR	0.5930	-0.0035
NZD/GBP	0.5073	-0.0012
NZD/CNH	4.5161	0.0549
AUD/USD	0.7279	0.0007
AUD/EUR	0.6184	-0.0019
EUR/USD	1.1771	0.0048
USD/CNH	6.4704	0.0904
GBP/USD	1.3761	0.0007
EUR/GBP	0.8554	0.0031

  

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.46%	0.01%
2 year swap	1.27%	0.23%
10 year Govt	1.75%	1.16%

## Tonight's the night

With the markets awaiting a certain Mr Powell's speech, we'll soon know if "it's gonna be alright!"

If Mr Powell was unsure about what approach to take, three policy hawks, St. Louis Fed President, James Bullard, Robert Kaplan of the Dallas Fed President, and Kansas City Fed President, Esther George, all called for an early tapering as "inflation is running faster than wage increases," and "purchases were designed to stimulate demand, and that

*we don't have a demand problem anymore. (Also, I am) concerned about the high price of housing and that buying mortgage-backed securities is counterproductive to slowing those increases,"* as well as, "the Fed has made substantial further progress in its goals, and it is time to start to taper process."

Overnight, the US economy advanced at an annualised 6.6% in Q2, which was slightly below the consensus forecast of 6.7%, while the GDP price index was a touch firmer than expected at 6.1%, which was where the core PCE deflator printed as well. Other US releases saw weekly jobless claims rise slightly to 353,000 with the continuing claims increasing to 2,862,000.

In Europe, it was a busy day. The ECB released its July minutes highlighting that the "new forward guidance did not necessarily imply 'lower for longer' interest rates," even though "the forward guidance language should clearly dispel the notion that 2% was a ceiling for inflation, given that the new strategy explicitly allowed for a moderate and transitory overshooting." Well, we're glad that cleared things up!

ECB Vice-President, Luis de Guindos, announced that the ECB could revise its macroeconomic forecasts higher again as "stronger projections aren't going to mean much for the central bank when they continue to commit to the narrative that inflation remains 'transitory'."

ECB chief economist, Philip Lane, then added it's "too early to discuss an end of PEPP at the September policy meeting. Markets don't need long notice before end of PEPP as QE will continue via the APP."

Finally, the German GfK consumer confidence index, fell to -1.2. It was the 17th consecutive month that the number has printed in negative territory.

While RBNZ Governor, Adrian Orr, was chasing the glory, the Bank of Korea has beaten him to the punch and raised its key policy rate by 25bps to 0.75% in its first rate hike in almost three years. Australian Q2 private capex expenditure rose 4.4% in Q2, which was ahead of the 2.5% forecast but below Q1's 6.3%.

The unfortunate bombing in Kabul saw some of the confidence shaken as equity markets turned negative in Europe and the US. Commodities were mixed with oil off -1.0% although natural gas surged 7.35%. In amongst this, bond yields were steady, with the US 10 year at 1.34%, while the USD found a molecule of support which saw the NZD and AUD ease a touch. The New Zealand market is now pricing in an 80% chance of two hikes by the November MPC.

## Finally ...

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



**BANCORP**

BANCORP TREASURY SERVICES LIMITED

**Barrington**  
TREASURY SERVICES

**Barrington**  
ASSET CONSULTING



**BANCORP**

BANCORP CORPORATE FINANCE LIMITED

# Daily Rates

Friday 27 August 2021

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	74.35					CAD	0.8790	0.9166
NZD/USD	0.6980	0.0000	-0.0003	-0.0013	-0.0047	CHF	0.6378	0.6651
NZD/AUD	0.9590	-0.0001	-0.0008	-0.0027	-0.0078	CNY	4.5204	4.7139
NZD/JPY	76.80	-0.02	-0.09	-0.30	-0.83	DKK	4.4100	4.5987
NZD/EUR	0.5930	-0.0004	-0.0014	-0.0035	-0.0087	FJD	1.4599	1.5223
NZD/GBP	0.5073	0.0000	-0.0003	-0.0012	-0.0034	HKD	5.4336	5.6662
						KRW	815.00	849.89
AU TWI	60.70					MYR	2.9277	3.0530
AUD/USD	0.7279	0.0001	0.0003	0.0007	0.0010	NOK	6.1447	6.4077
AUD/NZD	1.0428	0.0002	0.0009	0.0029	0.0086	SEK	6.0656	6.3252
AUD/JPY	80.09	-0.01	-0.03	-0.09	-0.21	SGD	0.9443	0.9847
AUD/EUR	0.6184	-0.0003	-0.0009	-0.0019	-0.0041	TWD	19.43	20.26
AUD/GBP	0.5289	0.0000	0.0001	0.0003	0.0008	ZAR	10.4379	10.8847
USD Index	92.86							
EUR/USD	1.1771	0.0007	0.0022	0.0048	0.0094	<b>EQUITIES</b>		
USD/JPY	110.04	-0.02	-0.08	-0.23	-0.45		<b>Index</b>	
GBP/USD	1.3761	0.0001	0.0002	0.0007	0.0000	NZX50	13,173	
EUR/GBP	0.8554	0.0005	0.0014	0.0031	0.0069	ASX200	7,532	
						Dow Jones	35,421	
						S&P 500	4,498	
						FTSE100	7,150	
						DAX 30	15,861	
						Nikkei	27,725	
						<b>COMMODITIES</b>		
							<b>USD</b>	
						Dubai Light	68.31	
						Brent Crude	72.23	
						Gold	1,791.09	
						Silver	23.85	
						CRB Index	230.33	

  

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	0.31%	0.27%	0.00%	0.02%
90 day bank bills	0.48%	0.44%	0.03%	-0.01%
FRA 90d in 3mths	0.85%	0.82%	0.04%	0.01%
FRA 180d in 6mths	1.27%	1.22%	0.10%	0.09%
1 year swap	0.95%	0.93%	0.07%	0.03%
2 year swap	1.28%	1.26%	0.24%	0.22%
3 year swap	1.45%	1.42%	0.43%	0.42%
5 year swap	1.63%	1.61%	0.77%	0.68%
10 year swap	1.94%	1.91%	1.34%	1.33%
10 year Govt bond		1.73%		1.16%

This document has been prepared by Bancorp Treasury Services Limited ("BTSL"). Whilst all reasonable care has been taken to ensure the facts stated are accurate and the opinions given are fair and reasonable, neither BTSL nor any of its directors, officers or employees shall in any way be responsible for the contents. No liability is assumed by BTSL, its directors, officers or employees for action taken or not taken on the basis of this document.



**BANCORP**  
BANCORP TREASURY SERVICES LIMITED

**Barrington**  
TREASURY SERVICES

**Barrington**  
ASSET CONSULTING



**BANCORP**  
BANCORP CORPORATE FINANCE LIMITED