

Market Alert

Monday 30 August 2021

| CURRENCIES | Spot | 6mths |
|------------|--------|---------|
| NZD/USD | 0.6998 | -0.0013 |
| NZD/AUD | 0.9576 | -0.0027 |
| NZD/JPY | 76.85 | -0.30 |
| NZD/EUR | 0.5934 | -0.0035 |
| NZD/GBP | 0.5088 | -0.0012 |
| NZD/CNH | 4.5215 | 0.0547 |
| AUD/USD | 0.7308 | 0.0007 |
| AUD/EUR | 0.6196 | -0.0018 |
| EUR/USD | 1.1793 | 0.0047 |
| USD/CNH | 6.4620 | 0.0904 |
| GBP/USD | 1.3758 | 0.0007 |
| EUR/GBP | 0.8572 | 0.0030 |

| INT RATES | NZ | Australia |
|--------------|-------|-----------|
| OCR/Cash | 0.25% | 0.10% |
| 90 day bills | 0.46% | 0.02% |
| 2 year swap | 1.29% | 0.22% |
| 10 year Govt | 1.82% | 1.19% |

Jackson Hole

After all the waiting, the resonating, and anticipating, the Federal Reserve's annual Jackson Hole Symposium finally arrived! The highlight quite naturally was Federal Reserve Chairman, Jerome Powell's, speech, and this is what he said ... *"the central bank is likely to begin tapering some of its easy-money policies before the end of the year."* However, he then added that he still feels there's *"much ground to cover"* before the Fed ultimately starts to look at rate hikes as, quite simply, *"The timing and pace of the coming reduction in asset purchases will not be intended to carry a direct signal regarding the timing of interest rate lift-off, for which we have articulated a*

different and substantially more stringent test." In discussing the central bank's dual mandate, the Fed chair added that with inflation solidly around the Fed's 2.0% target rate, the *"test has been met"* on inflation, and while *"we have much ground to cover to reach maximum employment,"* there *"has also been clear progress toward maximum employment."*

If anyone was in any doubt about the Fed's commitment to tapering, over the weekend, Christopher Waller stated, *"One more good jobs report will be sufficient to be able to start tapering"* while Richard Clarida added, *"We've made progress on the labour market, and I expect those gains to continue to in the autumn."*

So, a clear indication that tapering is imminent, but rate hikes are still some way off. The markets loved this balanced approach and 'rewarded' Jerome Powell with more of the 'feel-good juice' that equity rallies bring. This saw European and US bourses up another +0.50%-+1.0%, while commodities added another +1.0%-+2.0%. In a classic case of 'buy-the-rumour-sell-the-fact,' the US-dollar sold off another -0.5%, which saw the antipodean currencies close above 0.7000 and 0.7300 levels against the USD, while the US 10 year treasury yield closed at 1.305%.

Finally ...

Leading into Jackson Hole, the markets were very quiet, so quiet in fact, that one of the headlines was a report from

Tokyo warning people to steer clear of a monkey spotted in the capital ... and I'm not making that up!

There were a few data releases that the markets paid absolutely no attention to – Australian July retail sales fell 2.7% which was more than the -2.3% expected and June's actual -1.8%, which led to one of the local banks forecasting that the RBA will reverse their tapering decision at their next policy meeting on 7 September. New Zealand consumer confidence fell to 109.6 in August from July's 113.1, while Chinese industrial profits for July slowed a little to +16.4% on the year from June's +20%. Finally, Core PCE prices in the US which exclude food and energy increased 0.3% in July and German import prices rose 2.2% in July against the forecasts of +0.8%.

Well done to all those living outside Auckland and Northland, no more cooking as you'll be able to get take-away's. The *Market Alert* team is happy to accept any and all big Macs via the local couriers!

I suppose if there is one country in the world that can do it, its China! Chinese authorities are to clamp down on social media posts *"bad-mouthing"* the economy!

RIP Ed Asher. I thought you were great as Warren Buffett in *'Too big to fail'*!

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



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Daily Rates

Monday 30 August 2021

| FX | Spot Mid | FECs (mid) | | | | Spot Mid | | |
|-----------|-------------|------------|---------|---------|---------|--------------------|---------|--------------|
| | | 1mth | 3mths | 6mths | 12mths | NZD/... | AUD/... | |
| NZ TWI | 74.39 | | | | | CAD | 0.8837 | 0.9228 |
| NZD/USD | 0.6998 | 0.0000 | -0.0003 | -0.0013 | -0.0049 | CHF | 0.6401 | 0.6684 |
| NZD/AUD | 0.9576 | -0.0001 | -0.0009 | -0.0027 | -0.0080 | CNY | 4.5261 | 4.7265 |
| NZD/JPY | 76.85 | -0.02 | -0.09 | -0.30 | -0.85 | DKK | 4.4121 | 4.6074 |
| NZD/EUR | 0.5934 | -0.0004 | -0.0013 | -0.0035 | -0.0088 | FJD | 1.4595 | 1.5241 |
| NZD/GBP | 0.5088 | 0.0000 | -0.0003 | -0.0012 | -0.0035 | HKD | 5.4604 | 5.7022 |
| | | | | | | KRW | 819.70 | 855.99 |
| AU TWI | 60.80 | | | | | MYR | 2.9140 | 3.0430 |
| AUD/USD | 0.7308 | 0.0001 | 0.0003 | 0.0007 | 0.0010 | NOK | 6.0988 | 6.3688 |
| AUD/NZD | 1.0443 | 0.0002 | 0.0010 | 0.0030 | 0.0088 | SEK | 6.0496 | 6.3175 |
| AUD/JPY | 80.25 | -0.01 | -0.03 | -0.09 | -0.22 | SGD | 0.9418 | 0.9834 |
| AUD/EUR | 0.6196 | -0.0003 | -0.0008 | -0.0018 | -0.0040 | TWD | 19.41 | 20.27 |
| AUD/GBP | 0.5311 | 0.0000 | 0.0001 | 0.0003 | 0.0008 | ZAR | 10.3078 | 10.7641 |
| USD Index | 92.69 | | | | | | | |
| EUR/USD | 1.1793 | 0.0007 | 0.0021 | 0.0047 | 0.0093 | EQUITIES | | |
| USD/JPY | 109.83 | -0.02 | -0.08 | -0.23 | -0.45 | | | Index |
| GBP/USD | 1.3758 | 0.0001 | 0.0002 | 0.0007 | -0.0001 | NZX50 | | 13,060 |
| EUR/GBP | 0.8572 | 0.0004 | 0.0014 | 0.0030 | 0.0068 | ASX200 | | 7,488 |
| | | | | | | Dow Jones | | 35,456 |
| | | | | | | S&P 500 | | 4,509 |
| | | | | | | FTSE100 | | 7,148 |
| | | | | | | DAX 30 | | 15,852 |
| | | | | | | Nikkei | | 27,641 |
| | | | | | | | | |
| | | | | | | COMMODITIES | | |
| | | | | | | | | USD |
| | | | | | | Dubai Light | | 69.08 |
| | | | | | | Brent Crude | | 72.70 |
| | | | | | | Gold | | 1,816.84 |
| | | | | | | Silver | | 23.99 |
| | | | | | | CRB Index | | 232.95 |

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