

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 somewhat 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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