

# Market Alert

Wednesday 4 August 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7014	-0.0015
NZD/AUD	0.9486	-0.0028
NZD/JPY	76.49	-0.30
NZD/EUR	0.5912	-0.0036
NZD/GBP	0.5040	-0.0013
NZD/CNH	4.5362	0.0572
AUD/USD	0.7394	0.0006
AUD/EUR	0.6232	-0.0019
EUR/USD	1.1864	0.0047
USD/CNH	6.4669	0.0953
GBP/USD	1.3917	0.0007
EUR/GBP	0.8525	0.0030

  

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.52%	0.02%
2 year swap	1.13%	0.20%
10 year Govt	1.67%	1.16%

## Whoa ... back the Holden up, there buddy!

Because the RBA left their cash and 3-year yield target unchanged at 0.10%. But wait, there was a surprise after the RBA maintained their QE/tapering stance, as most market participants were forecasting a suspension of their tapering programme due to the lockdowns.

This signalled a slightly more bullish tone from the RBA, which saw the AUD firm as, "The experience to date has been that once virus outbreaks are contained, the economy bounces back quickly." Also, the RBA is confident "the Australian economy

had considerable momentum and it is still expected to grow strongly again next year," and that, "The economy is benefiting from significant additional policy support and the vaccination program will also assist with the recovery." Needless to say, the RBA does not expect to raise its cash rate until 2024 at the earliest!

In New Zealand, the dairy auction disappointed once again falling 1.0% with WMP down -3.8% and butter milk powder off -8.0%, although butter was up 3.8%. Since the stellar +15.0% auction back in March, 9 out of the last 10 auctions have produced negative results.

However, Moody's is still upbeat on the APAC economies, although notes that the strong rebound of the Asia-Pacific region does mask some deep economic scars. Economic activity is likely to rebound strongly in 2021 and 2022, as compared with recent performance although overall output will likely fall short of pre-pandemic forecasts by 2023. APAC is likely to grow faster in 2021-22 than the Middle East, Africa, and Latin America, but performance will increasingly diverge within the region. Moody's forecasts about 30% of APAC economies will experience output declines of 2.0%-8.0% below pre-pandemic forecast GDP levels by 2023.

In the US, factory orders increased 1.5% in June, following on from May's upwardly revised 2.3% increase and beating market forecasts of a 1.0% gain.

Federal Reserve Board member, Michelle Bowman, announced, "It may take time for some people to re-enter the labour force. Employment is still far below where it was despite recent gains. There is more work to be done to get US economy back on a strong footing." Meanwhile, San Francisco Fed President, Mary Daly, stated, "there are almost 10 million people who are unemployed and even more on the sidelines. These are people who worked before the pandemic and likely have the skills to work today. There is no reason to expect those to be permanent or even highly persistent features of the labour market"

Financial markets were pretty quiet overnight with equities in green territory, although commodities were mixed. Bonds were unchanged, meaning the US 10-year treasury is still yielding 1.17%, with the positive RBA seeing the AUD and NZD firm.

## Escalating tensions

The US is to expel 24 Russian diplomats while Germany is sending a navy ship to the South China Sea.

In perhaps the biggest understatement of the year, container shipping giant Maersk has lifted its earnings outlook due to higher freight rates!

Canadian bank, Toronto Dominion, has announced, "The PBoC is increasingly likely to cut the RRR in the second half of 2021."



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# Daily Rates

Wednesday 4 August 2021

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	74.32					CAD	0.8791	0.9267
NZD/USD	0.7014	-0.0001	-0.0005	-0.0015	-0.0046	CHF	0.6341	0.6685
NZD/AUD	0.9486	-0.0002	-0.0010	-0.0028	-0.0072	CNY	4.5387	4.7846
NZD/JPY	76.49	-0.02	-0.10	-0.30	-0.78	DKK	4.3968	4.6350
NZD/EUR	0.5912	-0.0004	-0.0014	-0.0036	-0.0084	FJD	1.4593	1.5384
NZD/GBP	0.5040	-0.0001	-0.0004	-0.0013	-0.0034	HKD	5.4565	5.7521
						KRW	805.41	849.05
AU TWI	61.80					MYR	2.9570	3.1172
AUD/USD	0.7394	0.0001	0.0003	0.0006	0.0008	NOK	6.1785	6.5132
AUD/NZD	1.0542	0.0003	0.0011	0.0031	0.0081	SEK	6.0309	6.3576
AUD/JPY	80.63	-0.01	-0.02	-0.08	-0.22	SGD	0.9481	0.9995
AUD/EUR	0.6232	-0.0003	-0.0009	-0.0019	-0.0041	TWD	19.53	20.59
AUD/GBP	0.5313	0.0000	0.0001	0.0002	0.0005	ZAR	10.0355	10.5792
USD Index	92.06							
EUR/USD	1.1864	0.0007	0.0021	0.0047	0.0091	<b>EQUITIES</b>		
USD/JPY	109.06	-0.03	-0.08	-0.21	-0.41		<b>Index</b>	
GBP/USD	1.3917	0.0001	0.0003	0.0007	0.0002	NZX50	12,701	
EUR/GBP	0.8525	0.0005	0.0014	0.0030	0.0065	ASX200	7,474	
						Dow Jones	35,117	
						S&P 500	4,420	
						FTSE100	7,106	
						DAX 30	15,555	
						Nikkei	27,642	
						<b>COMMODITIES</b>		
							<b>USD</b>	
						Dubai Light	71.75	
						Brent Crude	72.47	
						Gold	1,810.93	
						Silver	25.54	
						CRB Index	228.81	

  

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	0.40%	0.36%	-0.01%	0.01%
90 day bank bills	0.54%	0.50%	0.04%	0.00%
FRA 90d in 3mths	0.85%	0.82%	0.05%	0.02%
FRA 180d in 6mths	1.03%	1.00%	0.11%	0.09%
1 year swap	0.91%	0.89%	0.07%	0.05%
2 year swap	1.14%	1.12%	0.21%	0.19%
3 year swap	1.28%	1.26%	0.37%	0.36%
5 year swap	1.49%	1.47%	0.71%	0.63%
10 year swap	1.82%	1.80%	1.27%	1.25%
10 year Govt bond		1.66%		1.16%

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