

# Market Alert

Monday 9 August 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7014	-0.0018
NZD/AUD	0.9528	-0.0033
NZD/JPY	77.36	-0.35
NZD/EUR	0.5962	-0.0039
NZD/GBP	0.5051	-0.0015
NZD/CNH	4.5435	0.0524
AUD/USD	0.7361	0.0006
AUD/EUR	0.6257	-0.0019
EUR/USD	1.1764	0.0046
USD/CNH	6.4787	0.0917
GBP/USD	1.3880	0.0006
EUR/GBP	0.8475	0.0029

  

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.65%	0.02%
2 year swap	1.23%	0.25%
10 year Govt	1.73%	1.19%

## A big number!

Friday night saw the US dollar return to favour after the non-farm payrolls number exceeded expectations, spiking to 943,000 jobs, while the June number was also revised higher to 938,000 jobs. Economists had expected employment to jump by 870,000 jobs, compared to the additional 850,000 jobs originally reported for June. With the stronger than expected job growth the unemployment rate slid to 5.4% from 5.9%, falling to its lowest level since March 2020, as speculation intensified as to when the Fed would start its tapering programme.

Broadly speaking, equity markets liked the good news and were happy to ignore

the tapering implication. This saw the European and US indices close their sessions in positive territory although commodities were weaker across the board. Treasury bond yields spiked on the news, with the 10-year yield at 1.30%, although the German bund was quieter at -0.46%, while the USD strength saw the NZD and AUD give up about three quarters of a percent. In New Zealand the futures market is currently pricing in a full 1.00% of interest rate hikes in New Zealand by August 2022, while the Australian market isn't pricing in any possibility of a hike over the next 12-months.

Friday also saw the RBA Governor, Philip Lowe, testify to the Australian parliament. His headline comments included "The economy has bounced quicker than forecast. GDP is likely to decline in the September quarter (but its) unlikely we will have two consecutive quarters of negative GDP. We cannot rule out a recession, but it is unlikely. The pickup in wage growth is gradual, even in 2 years-time we still see it under 3.0%. Under the central scenario, the conditions we have set for an increase in the cash rate is not expected to be met before 2024." Essentially, Governor Lowe stated that the economy has come back, its bounce has been quicker and stronger than expected, although the comeback has been interrupted by the Delta outbreaks. Once that's over the economy is expected to bounce back quickly. The RBA expects wages and core inflation to remain subdued and noted that the RBA's stimulus is providing substantial support.

Concerns for China's economic recovery are starting to grow after July's trade numbers undershot expectations. Exports grew at 'just' 19.3% in dollar terms in July from a year earlier, and imports rose 28.1% to produce a trade surplus of USD56.58 billion for the month. Economists had forecast that exports would increase by 20% while imports would climb 33.3%. In other news, China's foreign exchange reserves inched up to USD3.236 trillion in July from June's USD3.214 trillion, slightly higher than forecasts of USD3.217 trillion, while the state planner let slip it will release reserves of commodities in a timely and targeted way

## Another outlier?

Morgan Stanley has announced, "We remain bearish on NZD/USD targeting 0.6600. In addition to USD-positive forces, we think RBNZ pricing remains aggressive and is insufficiently pricing in risks of COVID-19 transmission in New Zealand. NZD positioning is fairly balanced, contrasting with AUD positioning, which is a bit more stretched to the downside, suggesting that risk/reward is relatively more attractive."



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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	74.57					CAD	0.8801	0.9236
NZD/USD	0.7014	-0.0001	-0.0006	-0.0018	-0.0053	CHF	0.6407	0.6724
NZD/AUD	0.9528	-0.0003	-0.0012	-0.0033	-0.0083	CNY	4.5456	4.7707
NZD/JPY	77.36	-0.03	-0.12	-0.35	-0.89	DKK	4.4346	4.6542
NZD/EUR	0.5962	-0.0004	-0.0016	-0.0039	-0.0091	FJD	1.4647	1.5373
NZD/GBP	0.5051	-0.0001	-0.0005	-0.0015	-0.0038	HKD	5.4546	5.7248
						KRW	800.74	840.40
AU TWI	61.70					MYR	2.9738	3.1211
AUD/USD	0.7361	0.0001	0.0003	0.0006	0.0008	NOK	6.2310	6.5397
AUD/NZD	1.0495	0.0003	0.0014	0.0036	0.0092	SEK	6.0750	6.3759
AUD/JPY	81.22	-0.01	-0.02	-0.09	-0.23	SGD	0.9497	0.9967
AUD/EUR	0.6257	-0.0003	-0.0009	-0.0019	-0.0041	TWD	19.49	20.45
AUD/GBP	0.5304	0.0000	0.0001	0.0002	0.0007	ZAR	10.2658	10.7743
USD Index	92.80							
EUR/USD	1.1764	0.0007	0.0021	0.0046	0.0091	<b>EQUITIES</b>		
USD/JPY	110.34	-0.02	-0.08	-0.21	-0.43			<b>Index</b>
GBP/USD	1.3880	0.0001	0.0002	0.0006	-0.0002	NZX50		12,770
EUR/GBP	0.8475	0.0005	0.0014	0.0029	0.0067	ASX200		7,538
						Dow Jones		35,209
						S&P 500		4,437
						FTSE100		7,123
						DAX 30		15,761
						Nikkei		27,820
						<b>COMMODITIES</b>		
								<b>USD</b>
						Dubai Light		70.20
						Brent Crude		70.70
						Gold		1,762.10
						Silver		24.30
						CRB Index		227.96

  

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	0.48%	0.44%	-0.01%	0.01%
90 day bank bills	0.67%	0.63%	0.04%	-0.01%
FRA 90d in 3mths	1.00%	0.97%	0.05%	0.02%
FRA 180d in 6mths	1.03%	1.00%	0.12%	0.11%
1 year swap	1.05%	1.02%	0.07%	0.05%
2 year swap	1.25%	1.22%	0.26%	0.24%
3 year swap	1.38%	1.35%	0.46%	0.44%
5 year swap	1.57%	1.54%	0.77%	0.73%
10 year swap	1.88%	1.85%	1.34%	1.34%
10 year Govt bond		1.72%		1.19%

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