

Market Alert

Thursday 2 September 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7066	-0.0013
NZD/AUD	0.9593	-0.0028
NZD/JPY	77.74	-0.30
NZD/EUR	0.5969	-0.0034
NZD/GBP	0.5132	-0.0012
NZD/CNH	4.5583	0.0570
AUD/USD	0.7366	0.0007
AUD/EUR	0.6222	-0.0018
EUR/USD	1.1838	0.0046
USD/CNH	6.4510	0.0930
GBP/USD	1.3768	0.0006
EUR/GBP	0.8598	0.0030

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.50%	0.01%
2 year swap	1.32%	0.22%
10 year Govt	1.92%	1.24%

The good, the bad, and the ugly

Ahead of Friday night's non-farm payrolls, the ADP private job numbers disappointed at 374,000 which was a long way off the forecast of 613,000.

At least the ISM manufacturing number exceeded expectations at 59.9, with new orders, production, and inventories all increasing and exceeding expectations, while price pressures eased to its lowest level since December 2020.

In amongst these contrasting releases, the Atlanta Fed increased its Q3 GDP estimate to 5.3% from 5.1%.

Finally, some good news from Australia after they avoided a double-dip recession with Q2 GDP printing at a very respectable 0.7%, which exceeded the 0.5% forecast.

On an annualised basis, GDP printed at 9.6% for the year, which was better than the forecast 9.2% and the prior 1.1%. While the annual print was a record, it comes with the standard 'base effect' warning given Q2 2020 was at the height of the (first) COVID-19 scare. This was also the case for the Roy Morgan August business confidence survey, which fell -13.4% on the month but grew at +18.1% on the year. Finally, the Australian Markit manufacturing PMIs for August eased to 52.0 from 56.9, while the AiG manufacturing PMI fell to 51.6 from 60.8 as the impact of the local lockdowns kicked-in.

With the increasing price of carbon being an added tax for the local business sector, the New Zealand carbon permit auction is starting to attract a lot of attention, and one thing is sure, it has a trend! Wednesday's auction saw permits cleared at a record high of NZD53.85 with ravenous buyers snapping up all 7 million units for 2021 under the market's new cost containment reserve, along with an additional NZD4.75 million units offered in the sale.

Following on from yesterday's poor Chinese PMIs prints, the Caixin manufacturing PMIs were even worse

with the August headline number moving into contraction territory at 49.2 from July's 50.3 print.

Deputy BoJ Governor, Masazumi Wakatate, was on the newswires stating, "the BoJ must avoid distancing itself from its 2% price target, as doing so could destabilise the FX market. If the economy worsens sharply, BOJ will need to consider taking additional steps. (We are) prepared to ease further if necessary."

Next up was ECB vice president, Luis de Guindos, stating that we "have to decide on PEPP purchases for the last quarter in September. Inflation will continue to pick up this year, (although we) expect that it will fall back in 2022." Well, the Germany retail sales numbers for July won't help this year's case after the headline number fell -5.1%, which was way worse than June's +4.2% and the -0.9% expected. On an annualised basis the print was at -0.3%, down from the previous +6.2%.

The OPEC meeting didn't produce much, just the headline noting that while COVID-19 casts some uncertainty, the market fundamentals have strengthened.

The daily round-up

While question marks remain around the sustainability of the global recovery, overnight the markets were quiet. Equity and commodity markets were mixed, the NZD and AUD firmed, while bonds were steady with the US 10-year yielding 1.30%.



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Daily Rates

Wednesday 1 September 2021

FX	Spot	FECs (mid)				Spot Mid	
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...
NZ TWI	74.89					CAD	0.8920 0.9299
NZD/USD	0.7066	0.0000	-0.0004	-0.0013	-0.0051	CHF	0.6469 0.6744
NZD/AUD	0.9593	-0.0002	-0.0009	-0.0028	-0.0082	CNY	4.5643 4.7582
NZD/JPY	77.74	-0.02	-0.11	-0.30	-0.87	DKK	4.4384 4.6269
NZD/EUR	0.5969	-0.0004	-0.0014	-0.0034	-0.0089	FJD	1.4738 1.5365
NZD/GBP	0.5132	0.0000	-0.0003	-0.0012	-0.0036	HKD	5.4952 5.7286
						KRW	817.80 852.54
AU TWI	61.10					MYR	2.9319 3.0565
AUD/USD	0.7366	0.0001	0.0003	0.0007	0.0010	NOK	6.1453 6.4064
AUD/NZD	1.0425	0.0002	0.0010	0.0030	0.0090	SEK	6.0863 6.3448
AUD/JPY	81.04	-0.01	-0.03	-0.08	-0.21	SGD	0.9502 0.9905
AUD/EUR	0.6222	-0.0003	-0.0008	-0.0018	-0.0040	TWD	19.55 20.38
AUD/GBP	0.5350	0.0001	0.0002	0.0003	0.0008	ZAR	10.1861 10.6188
USD Index	92.50						
EUR/USD	1.1838	0.0007	0.0021	0.0046	0.0093	EQUITIES	
USD/JPY	110.02	-0.03	-0.09	-0.22	-0.44		Index
GBP/USD	1.3768	0.0001	0.0002	0.0006	-0.0002	NZX50	13,243
EUR/GBP	0.8598	0.0005	0.0014	0.0030	0.0069	ASX200	7,527
						Dow Jones	35,313
						S&P 500	4,525
						FTSE100	7,150
						DAX 30	15,824
						Nikkei	28,451
						COMMODITIES	
							USD
						Dubai Light	69.46
						Brent Crude	71.35
						Gold	1,813.95
						Silver	24.14
						CRB Index	231.68

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