

# Market Alert

Friday 3 September 2021

| CURRENCIES | Spot   | 6mths   |
|------------|--------|---------|
| NZD/USD    | 0.7117 | -0.0013 |
| NZD/AUD    | 0.9614 | -0.0028 |
| NZD/JPY    | 78.23  | -0.30   |
| NZD/EUR    | 0.5994 | -0.0035 |
| NZD/GBP    | 0.5144 | -0.0012 |
| NZD/CNH    | 4.5893 | 0.0581  |
| AUD/USD    | 0.7403 | 0.0007  |
| AUD/EUR    | 0.6234 | -0.0018 |
| EUR/USD    | 1.1874 | 0.0046  |
| USD/CNH    | 6.4488 | 0.0941  |
| GBP/USD    | 1.3837 | 0.0006  |
| EUR/GBP    | 0.8582 | 0.0030  |

  

| INT RATES    | NZ    | Australia |
|--------------|-------|-----------|
| OCR/Cash     | 0.25% | 0.10%     |
| 90 day bills | 0.49% | 0.01%     |
| 2 year swap  | 1.33% | 0.22%     |
| 10 year Govt | 1.93% | 1.21%     |

## Ahead of tonight's non-farm

The number of Americans claiming unemployment benefits declined to 340,000 to be at its lowest level since March 2020 and below market consensus of 345,000.

There was also the release of new orders for manufactured goods, which edged up 0.4% in the month of July, which was a slowdown on June's 1.5% but it was ahead of forecasts of 0.3%.

While imports edged down 0.2% in July to USD282.9 billion after June's record high

of USD283.3 billion as the trade balance contracted to -USD70.1 billion from -USD71.0 billion.

Following on from hurricane Ida, the US has authorised the release of 1.5 million barrels of oil from strategic reserves. The Atlanta Fed, which yesterday raised its Q3 GDP forecast to 5.3% from 5.1%, took an axe to its estimate today, dropping it to 3.7% as the Atlanta Fed President, Raphael Bostic, announced *"we're going to let the economy continue to run until we see signs of inflation,"* before raising interest rates.

The Australian July trade balance produced a stellar AUD12.7 billion surplus exceeding June's AUD10.45 billion surplus and the forecast of AUD10.2 billion. Exports grew at 4.8% on the month while imports increased by 3.3%. Trade is also a good story in New Zealand and its Q2 Terms of Trade grew 3.3% over the quarter, which was better than the expected 2.5%, and up on Q1's 0.1%.

BoJ policymaker, Goushi Kataoka, thought it was about time the BoJ stepped up to the plate given economic developments, and personally sees the need to take bolder steps on monetary policy, stating *"The BOJ must ramp up bond purchases to push down short, long-term rates."*

Overnight it was all about the highs, as oil hit a month high with crude at USD69.74 and Brent at USD72.78, while the EUR hit its fifth straight day of gains against the

USD, the AUD/USD hit a 1-month high, and the NZD/USD peaked at a 3 month high. In amongst this, equities were mixed while the 10 year yield eased back to 1.29%. Which led PIMCO bond legend Bill Gross, to announce that with longer-term Treasury yields so low, funds that buy them belong in the *"investment garbage can."*

## It's about time we had a political stand-off

And this one could get interesting ... China announced they require all foreign ships entering the South China Sea to register with Chinese maritime authorities ... to which the US has said, *"No"*. It's quite interesting because Yale historian, Paul Kennedy, has announced that China will overtake the US in exceeding in the international relations, military strength, and economic power. If you want to know more, buy *"The Economist"*.

While Elon Musk tweeted that the Tesla 'Full Self-Driving Beta 10' will be ready to roll out next week, Kia has suspended production at its Georgia plant citing supply chain disruptions.



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# Daily Rates

Friday 3 September 2021

| FX        | Spot   | FECs (mid) |         |         |         | Spot Mid    |          |
|-----------|--------|------------|---------|---------|---------|-------------|----------|
|           | Mid    | 1mth       | 3mths   | 6mths   | 12mths  | NZD/...     | AUD/...  |
| NZ TWI    | 75.29  |            |         |         |         | CAD         | 0.8933   |
| NZD/USD   | 0.7117 | 0.0000     | -0.0004 | -0.0013 | -0.0051 | CHF         | 0.6507   |
| NZD/AUD   | 0.9614 | -0.0002    | -0.0010 | -0.0028 | -0.0083 | CNY         | 4.5948   |
| NZD/JPY   | 78.23  | -0.02      | -0.11   | -0.30   | -0.87   | DKK         | 4.4569   |
| NZD/EUR   | 0.5994 | -0.0004    | -0.0014 | -0.0035 | -0.0089 | FJD         | 1.4794   |
| NZD/GBP   | 0.5144 | 0.0000     | -0.0003 | -0.0012 | -0.0036 | HKD         | 5.5299   |
|           |        |            |         |         |         | KRW         | 826.40   |
| AU TWI    | 61.60  |            |         |         |         | MYR         | 2.9492   |
| AUD/USD   | 0.7403 | 0.0001     | 0.0003  | 0.0007  | 0.0010  | NOK         | 6.1541   |
| AUD/NZD   | 1.0402 | 0.0002     | 0.0010  | 0.0030  | 0.0090  | SEK         | 6.0975   |
| AUD/JPY   | 81.38  | 0.00       | -0.03   | -0.08   | -0.21   | SGD         | 0.9554   |
| AUD/EUR   | 0.6234 | -0.0002    | -0.0008 | -0.0018 | -0.0040 | TWD         | 19.63    |
| AUD/GBP   | 0.5350 | 0.0001     | 0.0002  | 0.0003  | 0.0008  | ZAR         | 10.3020  |
|           |        |            |         |         |         |             | 10.7161  |
| USD Index | 92.23  |            |         |         |         |             |          |
| EUR/USD   | 1.1874 | 0.0007     | 0.0021  | 0.0046  | 0.0093  | EQUITIES    |          |
| USD/JPY   | 109.93 | -0.03      | -0.09   | -0.22   | -0.44   |             | Index    |
| GBP/USD   | 1.3837 | 0.0001     | 0.0002  | 0.0006  | -0.0002 | NZX50       | 13,280   |
| EUR/GBP   | 0.8582 | 0.0004     | 0.0014  | 0.0030  | 0.0068  | ASX200      | 7,486    |
|           |        |            |         |         |         | Dow Jones   | 35,423   |
|           |        |            |         |         |         | S&P 500     | 4,530    |
|           |        |            |         |         |         | FTSE100     | 7,164    |
|           |        |            |         |         |         | DAX 30      | 15,841   |
|           |        |            |         |         |         | Nikkei      | 28,544   |
|           |        |            |         |         |         |             |          |
|           |        |            |         |         |         | COMMODITIES |          |
|           |        |            |         |         |         |             | USD      |
|           |        |            |         |         |         | Dubai Light | 69.87    |
|           |        |            |         |         |         | Brent Crude | 72.78    |
|           |        |            |         |         |         | Gold        | 1,809.86 |
|           |        |            |         |         |         | Silver      | 23.89    |
|           |        |            |         |         |         | CRB Index   | 233.84   |

  

| INTEREST<br>RATES | New Zealand |        | Australia |        |
|-------------------|-------------|--------|-----------|--------|
|                   | Borrow      | Invest | Borrow    | Invest |
| 30 day bank bills | 0.34%       | 0.30%  | 0.00%     | 0.02%  |
| 90 day bank bills | 0.51%       | 0.47%  | 0.03%     | -0.01% |
| FRA 90d in 3mths  | 0.88%       | 0.85%  | 0.04%     | 0.01%  |
| FRA 180d in 6mths | 1.33%       | 1.30%  | 0.10%     | 0.08%  |
| 1 year swap       | 1.00%       | 0.98%  | 0.06%     | 0.04%  |
| 2 year swap       | 1.34%       | 1.32%  | 0.23%     | 0.21%  |
| 3 year swap       | 1.53%       | 1.50%  | 0.43%     | 0.42%  |
| 5 year swap       | 1.72%       | 1.69%  | 0.79%     | 0.73%  |
| 10 year swap      | 2.03%       | 2.01%  | 1.36%     | 1.35%  |
| 10 year Govt bond |             | 1.91%  |           | 1.21%  |

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