

Market Alert

Monday 6 September 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7157	-0.0015
NZD/AUD	0.9598	-0.0029
NZD/JPY	78.54	-0.31
NZD/EUR	0.6024	-0.0036
NZD/GBP	0.5164	-0.0013
NZD/CNH	4.6062	0.0564
AUD/USD	0.7457	0.0007
AUD/EUR	0.6276	-0.0018
EUR/USD	1.1882	0.0046
USD/CNH	6.4360	0.0922
GBP/USD	1.3865	0.0005
EUR/GBP	0.8569	0.0030

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.48%	0.01%
2 year swap	1.36%	0.23%
10 year Govt	1.95%	1.22%

Reascertaining the correlation

While there has traditionally been a fairly low correlation between the ADP private job numbers and the non-farm numbers, it was certainly high last month. Yes, the ADP numbers disappointed, but not as much as the non-farm numbers which were woeful after the US economy added just 235,000 jobs in August. This was its lowest level in 7 months and well below forecasts of 750,000 as the recent surge in COVID-19 infections may have discouraged companies from hiring and discouraged workers from actually looking for a job.

There was some positive news after the US ISM services PMI remained in positive territory at 61.7 which was a touch lower than July's record of 64.1, but it wasn't enough to repair the damage done to investor confidence by the non-farm numbers.

This saw most of the European and US bourses turn negative, with the Nasdaq the only index to buck the trend. Commodities fared better with most products remaining in green territory, although oil and iron ore closed negatively. In amongst this, the USD can't find a friend for love nor money, which saw the AUD/USD and NZD/USD both close out the week significantly higher from which it opened, while treasury yields continue to hover, with the 10-year closing the week at 1.322%.

Prior to the non-farm release, the European session had already set the tone after the IHS Markit PMI's hit a 2-month low of 59.5 in August, versus July's 60.2, and Eurozone July retail sales fell -2.3%, against the +0.1% expected. This saw the former Italian Prime Minister, Mario Monti, warn that while the "huge mass" of monetary and fiscal stimulus "may well fire more inflation," given there were "a number of constraints on the flexibility of production," he believed it meant stagflation was a greater threat to Europe's economic recovery.

Swiss Governing Board member, Andrea Maechler, warned that while the SNB

"can't rule out the risk that a long pandemic will affect business and consumer confidence, rising CPI is a very tangible sign that the economy is on the right track."

In what may provide a crack in the China-Australia 'soft' commodity war, Brazil has suspended beef exports to China after discovering two cases of "atypical" mad cow disease. "Atypical" means the disease develops spontaneously, not related to eating contaminated foods. This is relevant as China and Hong Kong buy over 50% of Brazilian beef exports.

The rest in brief

BoA has raised its euro area growth forecasts as it expects the ECB will end PEPP in March 2022.

The PBoC announced it will keep prudent monetary policy flexible, targeted, and appropriate.

Russian gas giant Gazprom has started to move away from settling its Chinese settlements in US dollars in favour of yuan for settlements.

Australian retail trade in July fell -2.7% on the month and -3.1% on the year.

The RBNZ is considering further measures to reduce risky mortgage lending.

Renaissance hedge fund executives have been hit with a USD7 billion bill in back taxes, with founder, Jim Simons, making an additional 'settlement payment' of USD670 million.



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Daily Rates

Monday 6 September 2021

FX	Spot	FECs (mid)				Spot Mid	
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...
NZ TWI	75.53					CAD	0.8967
NZD/USD	0.7157	0.0000	-0.0004	-0.0015	-0.0054	CHF	0.6540
NZD/AUD	0.9598	-0.0002	-0.0010	-0.0029	-0.0084	CNY	4.6181
NZD/JPY	78.54	-0.02	-0.11	-0.31	-0.90	DKK	4.4788
NZD/EUR	0.6024	-0.0004	-0.0014	-0.0036	-0.0091	FJD	1.4806
NZD/GBP	0.5164	0.0000	-0.0004	-0.0013	-0.0038	HKD	5.5578
						KRW	827.42
AU TWI	61.90					MYR	2.9559
AUD/USD	0.7457	0.0001	0.0003	0.0007	0.0010	NOK	6.1971
AUD/NZD	1.0419	0.0002	0.0011	0.0032	0.0093	SEK	6.1183
AUD/JPY	81.84	-0.01	-0.03	-0.08	-0.22	SGD	0.9603
AUD/EUR	0.6276	-0.0003	-0.0008	-0.0018	-0.0040	TWD	19.78
AUD/GBP	0.5378	0.0001	0.0002	0.0003	0.0008	ZAR	10.2260
							10.6548
USD Index	92.04						
EUR/USD	1.1882	0.0007	0.0021	0.0046	0.0092	EQUITIES	
USD/JPY	109.75	-0.03	-0.09	-0.21	-0.43		Index
GBP/USD	1.3865	0.0001	0.0002	0.0005	-0.0002	NZX50	13,289
EUR/GBP	0.8569	0.0004	0.0014	0.0030	0.0068	ASX200	7,523
						Dow Jones	35,369
						S&P 500	4,535
						FTSE100	7,138
						DAX 30	15,781
						Nikkei	29,128
						COMMODITIES	
							USD
						Dubai Light	71.26
						Brent Crude	72.61
						Gold	1,827.47
						Silver	24.70
						CRB Index	233.95

INTEREST RATES	New Zealand		Australia	
	Borrow	Invest	Borrow	Invest
30 day bank bills	0.34%	0.30%	0.02%	0.02%
90 day bank bills	0.50%	0.46%	0.03%	-0.01%
FRA 90d in 3mths	0.89%	0.86%	0.04%	0.01%
FRA 180d in 6mths	1.35%	1.32%	0.10%	0.08%
1 year swap	1.01%	0.98%	0.06%	0.04%
2 year swap	1.37%	1.34%	0.24%	0.22%
3 year swap	1.56%	1.53%	0.44%	0.43%
5 year swap	1.76%	1.73%	0.82%	0.74%
10 year swap	2.05%	2.02%	1.40%	1.39%
10 year Govt bond		1.93%		1.22%

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