

Market Alert

Tuesday 7 September 2021

CURRENCIES	Spot	6mths
NZD/USD	0.7135	-0.0015
NZD/AUD	0.9594	-0.0029
NZD/JPY	78.37	-0.32
NZD/EUR	0.6012	-0.0036
NZD/GBP	0.5158	-0.0013
NZD/CNH	4.6028	0.0552
AUD/USD	0.7437	0.0007
AUD/EUR	0.6266	-0.0018
EUR/USD	1.1869	0.0046
USD/CNH	6.4510	0.0911
GBP/USD	1.3834	0.0006
EUR/GBP	0.8580	0.0030

INT RATES	NZ	Australia
OCR/Cash	0.25%	0.10%
90 day bills	0.50%	0.01%
2 year swap	1.37%	0.24%
10 year Govt	2.00%	1.26%

Anyone for a takeaway?

New Zealand, enjoy level 2, but for those of us stuck in Auckland, any chance you could send some takeaways in our direction?

With the US and Canadian markets closed for Labour Day the overnight markets were quiet, but don't worry, with the RBA this afternoon and the Eurozone's Q2 GDP this evening, it will be BAU (business as usual) once again.

Overnight equity bourses were mildly higher as investors bet that the slower hiring in the US may delay the Fed's tapering plans. The commodity markets were also quiet although aluminium hit a

decade high following the coup in Guinea. The US-dollar made mild gains for the first time in 5 days which saw the NZD and AUD ease a touch while the 10 year treasury yield was flat at 1.32%.

The headline data release overnight was German manufactured goods, which increased +3.4% in July following on from June's upwardly revised +4.6% and easily beating market expectations for a -1.0% fall. In other releases, the New Zealand commodity price index in August eased -1.6%, both in USD and NZD terms, as dairy and wood prices retreated from their earlier highs. In Australia, the Melbourne Institute's monthly inflation index saw CPI fall to 0.0% in August from July's +0.5%.

The European Union's economy commissioner, Paolo Gentiloni, warned the ECB that tighter monetary policy would be a "big mistake." *"We are monitoring euro-area inflation – we should monitor it very accurately – but without making conclusions too soon." "I think it would be a big mistake, because the mainstream consensus is on the fact that this inflation is still a temporary phenomenon."*

China's major state-owned banks were reportedly seen buying US dollars late last week. Which is interesting because over the weekend the Chinese authorities announced that supervision of the financial services industry will be tightened further and that FX market supervision at macro and micro levels will be boosted. The authorities also provided an explanation on their 'Common Prosperity' drive which,

simply put, consists of "two core priorities: achieving high-quality growth and sharing wealth." Beyond that, "narrowing the income gap" and "equalizing access to basic public services and narrowing the urban-rural gap" are the objectives.

Mercedes says the chip shortage will not go away in 2022 while, GM plans to cut production at eight North American assembly plants due to the semiconductor shortage.

The real risk

Following on from Mario Monti's speech over the weekend, stagflation is suddenly the 'topic du jour' as demand weakens and prices accelerate.

While policy makers would have hoped that by this stage of the recovery, we would be seeing decent growth and slowing inflation, the recent data releases include the smallest hiring of Americans in 7 months, a deterioration in Germany's Ifo index, a crumbling of China's services sector, continuing supply chain disruptions, and a weakening of global manufacturing.

With energy inflation rampant, soaring bills could cripple households' spending and erode their wages through inflation thereby creating stagflation!

Stay safe, keep on smiling, and hey, let's be careful out there!



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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	75.43					CAD	0.8942 0.9320
NZD/USD	0.7135	0.0000	-0.0004	-0.0015	-0.0054	CHF	0.6530 0.6806
NZD/AUD	0.9594	-0.0002	-0.0010	-0.0029	-0.0085	CNY	4.6080 4.8029
NZD/JPY	78.37	-0.02	-0.11	-0.32	-0.90	DKK	4.4699 4.6590
NZD/EUR	0.6012	-0.0004	-0.0014	-0.0036	-0.0091	FJD	1.4778 1.5403
NZD/GBP	0.5158	0.0000	-0.0004	-0.0013	-0.0039	HKD	5.5462 5.7809
						KRW	825.11 860.03
AU TWI	61.90					MYR	2.9606 3.0858
AUD/USD	0.7437	0.0001	0.0003	0.0007	0.0010	NOK	6.1796 6.4411
AUD/NZD	1.0423	0.0002	0.0011	0.0032	0.0093	SEK	6.1116 6.3702
AUD/JPY	81.69	-0.01	-0.03	-0.08	-0.21	SGD	0.9578 0.9983
AUD/EUR	0.6266	-0.0003	-0.0008	-0.0018	-0.0040	TWD	19.70 20.53
AUD/GBP	0.5376	0.0001	0.0002	0.0003	0.0008	ZAR	10.1596 10.5895
USD Index	92.22						
EUR/USD	1.1869	0.0007	0.0021	0.0046	0.0091	EQUITIES	
USD/JPY	109.85	-0.03	-0.09	-0.21	-0.43		Index
GBP/USD	1.3834	0.0001	0.0002	0.0006	-0.0002	NZX50	13,300
EUR/GBP	0.8580	0.0004	0.0014	0.0030	0.0067	ASX200	7,528
						Dow Jones	35,369
						S&P 500	4,535
						FTSE100	7,187
						DAX 30	15,932
						Nikkei	29,660
						COMMODITIES	
							USD
						Dubai Light	69.70
						Brent Crude	72.22
						Gold	1,823.04
						Silver	24.67
						CRB Index	233.95

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