

9 September 2021



Events Round-Up

CA: Bank of Canada policy rate (%), Sep: 0.25 vs. 0.25 exp.

Good Morning

Investors remain cautious, with modest weakness in US equities, while the US 10-year rate has reversed yesterday's increase, tracking lower to 1.33%. There have been a few updates from various central banks, but none of them market moving. Currency moves have been modest, with the NZD continuing to hover around the 0.71 mark.

US equities have spent most of the session in negative territory, likely some profit taking after a blistering run higher and some ongoing caution around the spread of the delta variant (even if its rate of spread is slowing in many States), while it contributes to a speed bump in the economic growth outlook. The S&P500 is currently down 0.2% while tech stocks have underperformed, seeing the Nasdaq index down 0.7%. Earlier, the Euro Stoxx 600 index fell just over 1%.

There has been a bit of central bank talk to digest overnight. The Bank of Canada left its policy settings unchanged, as expected, and while it acknowledged the weaker than expected Q2 GDP data, the Bank continued to expect the economy to strengthen in the second half. The market continues to expect a further tapering of QE from the current CAD2b per week pace, ahead of higher rates in the second half of next year. There was little net market reaction, but CAD has been on the softer of the ledger and the NZD on the stronger side, seeing NZD/CAD break up through 0.90 for the first time since April.

NY Fed President Williams' opening comments in a webinar toed the party line, saying that 'it could be appropriate' for the Fed to begin tapering asset purchases this year and he wanted to see more improvement on employment before being ready to declare the test of substantial further progress being met. There was still a long way to go before reaching maximum employment, the condition for lift off on a higher Fed Funds rate. All this was just a regurgitation of what Chair Powell said at Jackson Hole.

There were some hawkish vibes coming out of the BoE as Governor Bailey spoke before Parliament. He said that he was one of the four members who thought that the

minimum criteria for tighter UK monetary policy had been met. Still, he stressed that even with the 4-4 split on the MPC (with one vacancy), those who thought the condition of the forward guidance had been met didn't consider there were sufficient grounds to push for immediate tighter policy.

The focus in the UK this week has been more on fiscal policy than monetary policy, with the controversial proposed increase in National Insurance, a burden of £12b on workers and companies (worth some 0.6% of GDP), and breaching a promise by the government on taxes. Just before we went to press, PM Johnson won the vote to pass this tax increase, which will take the tax revenue to GDP ratio up to its highest level on record. GBP is little changed for the day at 1.3780.

On the economic front, the only notable indicator was the US JOLTS report, which lags the official employment release by a month, but showed job openings rising to a fresh record high of 10.9m in July and the number of vacancies exceeding hires by 4.3m, also a record. While an indicator of labour market strength, it is also a sign of a big mismatch in the labour market which could take a long time to be resolved.

The US 10-year rate reversed the rise seen over the previous day, falling 4bps to 1.33%, with strong demand at the \$38b 10-year auction, the auction yield clearing nearly 1½bps through the prevailing rate at the time.

On a day with only small movements in currencies, the NZD has marginally outperformed overnight and the past 24 hours, currently near 0.7110. The AUD is marginally weaker, seeing NZD/AUD lift a little to 0.9640. The NZD is slightly higher on the other crosses as well.

The domestic rates market performed relatively well yesterday against the backdrop of higher global bond yields, suggesting that NZGBs might now be getting the attention of overseas investors after the rise in NZ-global rate spreads. Yields across the curve were only up by 1-2bps. Swap rates were little changed.

In the day ahead, Fed President Kaplan will be speaking during local trading hours and we'll see if he has maintained his hawkish credentials or softened his stance in the face of the delta spread and soft payrolls report. Following NZ manufacturing data, which will help firm up Q2 GDP estimates, and China inflation data, the focus will

turn to the ECB tonight. A reversal of the increase in bond buying under the pandemic bond buying programme is widely expected to be announced for the quarter ahead.

jason.k.wong@bnz.co.nz

Coming Up

		Period	Cons.	Prev.	NZT
US	Fed's Kaplan holds virtual townhall				10:00
NZ	Mfg sales volume (q/q%)	Q2		0.4	10:45
CH	CPI (y/y%)	Aug	1.0	1.0	13:30
CH	PPI (y/y%)	Aug	9.0	9.0	13:30
EC	ECB deposit facility rate (%)	Sep	-0.5	-0.5	23:45
EC	ECB President Lagarde holds press conference				00:30
US	Initial jobless claims (k)	4-Sep	335	340	00:30

Source: Bloomberg, BNZ

Foreign Exchange						Equities				Commodities**					
Indicative overnight ranges (*)					Other FX			Major Indices				Price			
	Last	% Day	Low	High		Last	% Day			Last	% Day	% Year		Last	Net Day
NZD	0.7107	+0.1	0.7076	0.7115	CHF	0.9213	+0.2	S&P 500	4,511	-0.2	35.4		Oil (Brent)	72.65	+1.3
AUD	0.7374	-0.2	0.7345	0.7385	SEK	8.626	+0.4	Dow	35,030	-0.2	27.4		Oil (WTI)	69.34	+1.5
EUR	1.1826	-0.1	1.1802	1.1845	NOK	8.716	+0.3	Nasdaq	15,272	-0.7	40.8		Gold	1792.2	-0.2
GBP	1.3781	-0.0	1.3727	1.3785	HKD	7.776	+0.0	Stoxx 50	4,177	-1.1	27.8		HRC steel	1923.0	-0.9
JPY	110.22	-0.1	110.14	110.40	CNY	6.462	-0.1	FTSE	7,096	-0.8	19.6		CRB	217.9	-1.0
CAD	1.2675	+0.2			SGD	1.346	-0.0	DAX	15,610	-1.5	20.4		Wheat Chic.	710.3	-1.3
NZD/AUD	0.9638	+0.3			IDR	14,253	+0.3	CAC 40	6,669	-0.7	34.1		Sugar	19.49	+0.1
NZD/EUR	0.6010	+0.2			THB	32.76	+0.2	Nikkei	30,181	+0.9	31.0		Cotton	95.20	+0.7
NZD/GBP	0.5157	+0.2			KRW	1,167	+0.8	Shanghai	3,675	-0.0	12.9		Coffee	190.2	-1.9
NZD/JPY	78.33	+0.0			TWD	27.74	+0.5	ASX 200	7,512	-0.2	27.8		WM powder	3730.0	+2.1
NZD/CAD	0.9008	+0.3			PHP	50.12	+0.2	NZX 50	13,193	-1.0	12.4		Australian Futures		
NZ TWI	75.39	+0.2											3 year bond	99.71	0.01
													10 year bond	98.75	0.03
Interest Rates						NZ Government Bonds				NZ Swap Yields					
	Rates				Swap Yields		Benchmark 10 Yr Bonds		NZ Government Bonds			NZ Swap Yields			
	Cash	3Mth	2 Yr	10 Yr		Last	Net Day		Last			Last			
USD	0.25	0.12	0.31	1.36	USD	1.33	-0.04	NZGB 5 1/2 04/15/23	1.04	0.01	1 year	1.04	0.01		
AUD	0.10	0.01	0.23	1.40	AUD	1.30	0.04	NZGB 0 1/2 05/15/26	1.58	0.02	2 year	1.38	-0.00		
NZD	0.25	0.52	1.38	2.06	NZD	1.93	0.02	NZGB 0 1/4 05/15/28	1.75	0.02	5 year	1.78	-0.00		
EUR	0.00	0.06	-0.46	0.04	GER	-0.32	-0.00	NZGB 1 1/2 05/15/31	1.93	0.01	7 year	1.91	0.00		
GBP	0.10	0.06	0.51	0.93	GBP	0.74	0.01	NZGB 2 05/15/32	2.02	0.01	10 year	2.07	0.00		
JPY	-0.03	-0.09	-0.01	0.08	JPY	0.05	0.00	NZGB 2 3/4 04/15/37	2.41	0.01	15 year	2.32	0.00		
CAD	0.25	0.45	0.78	1.69	CAD	1.20	-0.03	NZGB 1 3/4 05/15/41	2.69	0.01					

* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer

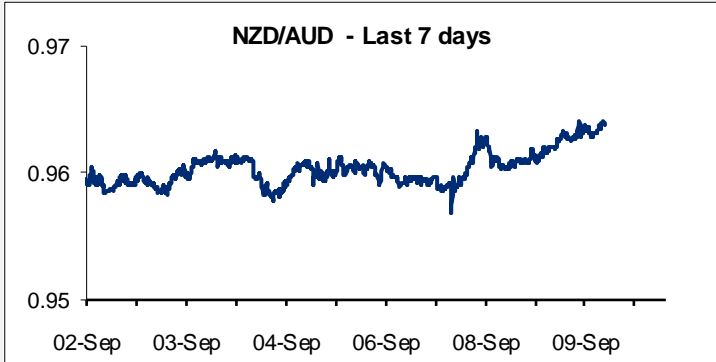
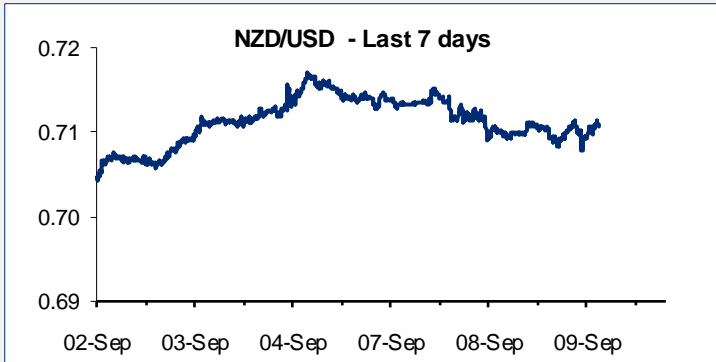
** All near futures contracts, except CRB. Metals prices are CME.

Rates are as of: NZT 06:56

Source: Bloomberg

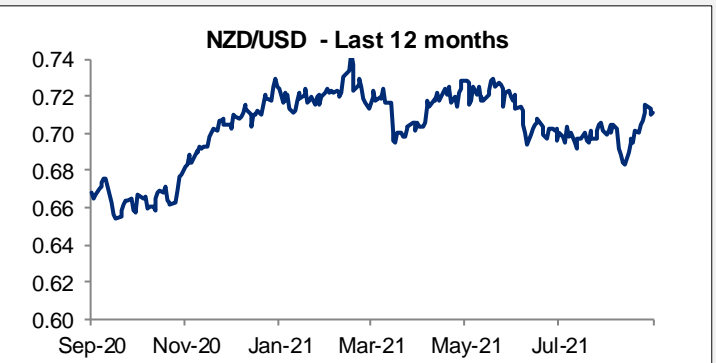
NZD exchange rates

9/09/2021	6:56 am	Prev. NY close
USD	0.7107	0.7099
GBP	0.5157	0.5149
AUD	0.9638	0.9611
EUR	0.6010	0.5996
JPY	78.33	78.29
CAD	0.9008	0.8978
CHF	0.6548	0.6529
DKK	4.4687	4.4582
FJD	1.4757	1.4771
HKD	5.5263	5.5192
INR	52.31	52.12
NOK	6.1946	6.1697
PKR	118.88	118.86
PHP	35.62	35.50
PGK	2.4919	2.5023
SEK	6.1308	6.1010
SGD	0.9563	0.9556
CNY	4.5923	4.5907
THB	23.30	23.17
TOP	1.5910	1.5839
VUV	78.35	77.95
WST	1.8059	1.7955
XPF	71.78	71.51
ZAR	10.0708	10.1624



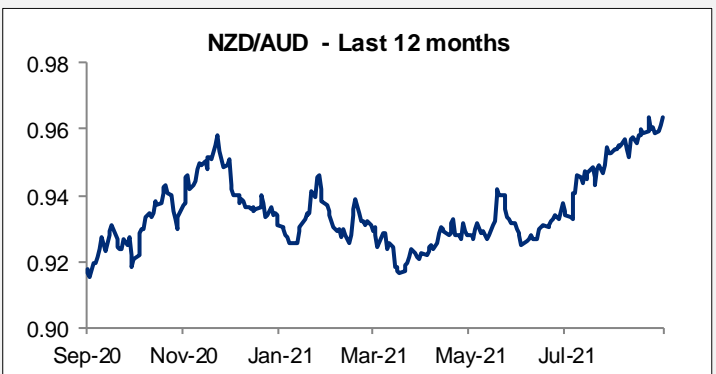
NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	-0.17	0.17
3 Months	-4.50	-4.00
6 Months	-15.65	-14.65
9 Months	-33.97	-32.22
1 Year	-56.63	-54.63



NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
1 Month	-1.98	-1.34
3 Months	-10.22	-9.14
6 Months	-30.65	-28.53
9 Months	-58.06	-54.36
1 Year	-90.02	-85.54



Contact Details

BNZ Research

Stephen Toplis
Head of Research
+64 4 474 6905

Craig Ebert
Senior Economist
+64 4 474 6799

Doug Steel
Senior Economist
+64 4 474 6923

Jason Wong
Senior Markets Strategist
+64 4 924 7652

Nick Smyth
Senior Interest Rates Strategist
+64 4 924 7653

Main Offices

Wellington
Level 4, Spark Central
42-52 Willis Street
Private Bag 39806
Wellington Mail Centre
Lower Hutt 5045
New Zealand
Toll Free: 0800 283 269

Auckland
80 Queen Street
Private Bag 92208
Auckland 1142
New Zealand
Toll Free: 0800 283 269

Christchurch
111 Cashel Street
Christchurch 8011
New Zealand
Toll Free: 0800 854 854

National Australia Bank

Ivan Colhoun
Global Head of Research
+61 2 9237 1836

Alan Oster
Group Chief Economist
+61 3 8634 2927

Ray Attrill
Head of FX Strategy
+61 2 9237 1848

Skye Masters
Head of Fixed Income Research
+61 2 9295 1196

Wellington
Foreign Exchange +800 642 222
Fixed Income/Derivatives +800 283 269

New York
Foreign Exchange +1 212 916 9631
Fixed Income/Derivatives +1 212 916 9677

Sydney
Foreign Exchange +61 2 9295 1100
Fixed Income/Derivatives +61 2 9295 1166

Hong Kong
Foreign Exchange +85 2 2526 5891
Fixed Income/Derivatives +85 2 2526 5891

London
Foreign Exchange +44 20 7796 3091
Fixed Income/Derivatives +44 20 7796 4761

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