

21 July 2017

## Events Round-Up

AU: NAB business confidence, Q2: 7 vs. 6 prev.  
AU: Employment change ('000), Jun: 14 vs. 15 exp.  
AU: Unemployment rate (%), Jun: 5.6 vs. 5.6 exp.  
UK: Retail sales ex auto fuel (m/m%), Jun: 0.9 vs. 0.5 exp.  
EC: ECB main refinancing rate (%), Jul: 0.0 vs. 0.0 exp.  
EC: ECB deposit facility rate (%), Jul: -0.4 vs. -0.4 exp.  
EC: ECB asset purchase target (€bn), Jul: 60 vs. 60 exp.  
US: Philly Fed business outlook, Jul: 19.5 vs. 23.0 exp.  
EC: Consumer confidence, Jul: -1.7 vs. -1.2 exp.

## Good Morning

We open this morning to a dominant theme of further extensions to USD weakness for most currency pairs and relatively limited change to most bond and equity markets though the path has been strewn with wet rocks and tree roots - tipping my hat to the weather outside in our verdant city. The NZD continues to defy any suggestion that the market is overly long, rising to challenge resistance just above 0.7400 overnight in step with most of its peers.

The ECB were not as prosaic regarding QT as we might have expected, tapering is not yet being discussed and mention was made that tightening conditions is the last thing they want. With EUR now up over 3% since their last meeting something is amiss in their messaging to markets who cherry picked the more upbeat subsequent comments from Draghi to take the EUR past 1.1650 (from earlier lows near 1.1480). Draghi pointed to an autumn timeline for policy makers to consider their language on QE.

Overnight data releases came and went with little attention, while yesterday we saw another strong

Australian employment update that popped the AUD higher but at the end of the day caused little impact on OIS pricing (markets still price a +25bps hike by May 2018). There were no surprises from the BOJ yesterday, for the sixth time they kicked the can down the road on their 2% inflation target (now 2019) but favourably framed their language on the economy, it is now "expanding moderately" .

Most equity indices are little changed as are key bond rates for the most part. There is some steepening of the German bund curve, while on the home front ongoing receiving interests in the 7-10 year window have influenced a flatter curve. Also adding to the USD index weakness (94.3 this morning) the matryoshkan FBI probe into Russian influence now set to include examination of the financial dealings of Trump.

So to the day ahead and local traders will pay some attention to RBA Deputy Governor Debelle speaking on global influences to domestic policy mid-afternoon NZT. An in character frank Debelle could lend the market some colour on central policy ahead of quarterly inflation updates next week, with the next RBA meeting (01/08) still another week after that. All this transpires before our next RBNZ update on August the 10<sup>th</sup>.

The NZDAUD cross tickled 0.9225 after labour data yesterday but opens this morning closer to 0.9300. The AUD, for the first time in the past week, trailing the NZD advance – some might note a retreat in Iron Ore prices in the last 24 hours as an influence. We also see local updates, the monthly reporting of inward migration (previous 5,910) with the Lions rugby tour inflating the short-term visitor arrivals. Tonight sees Canadian inflation and retail data, of interest after the recent BOC move.

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Coming Up

	Period	Cons.	Prev.	NZT
NZ Net migration	Jun		5900	10:45
AU RBA's Debelle speech in Adelaide				14:40
JN BOJ policy balance rate		-0.1	-0.1	
JN BOJ 10-yr yield target		0.0	0.0	
CA CPI (y/y%)	Jun	1.1	1.3	00:30

Source: Bloomberg, BNZ

Foreign Exchange					Equities				Commodities**									
Indicative overnight ranges (*)					Other FX				Major Indices			Price						
	Last	% Day	Low	High		Last	% Day			Last	Net Day		Last	Net Day				
NZD	0.7411	+0.7	0.7334	0.7415	CHF	0.9515	-0.4		S&P 500	2,476	+0.1	13.9	Oil (Brent)	49.22	-0.9			
AUD	0.7961	+0.1	0.7898	0.7969	SEK	8.226	-0.9		Dow	21,642	+0.0	16.4	Oil (WTI)	46.79	-0.7			
EUR	1.1627	+1.0	1.1479	1.1658	NOK	8.041	-0.2		Nasdaq	6,392	+0.1	25.6	Gold	1243.3	+0.1			
GBP	1.2978	-0.3	1.2933	1.3030	HKD	7.811	+0.0		Stoxx 50	3,499	-0.0	17.9	HRC steel	617.0	-0.5			
JPY	111.97	+0.0	111.48	112.42	CNY	6.760	+0.1		FTSE	7,488	+0.8	11.3	CRB	178.4	-0.1			
CAD	1.2580	-0.2			SGD	1.367	-0.1		DAX	12,447	-0.0	22.7	Wheat Chic.	529.3	+0.5			
NZD/AUD	0.9309	+0.6			IDR	13,333	+0.1		CAC 40	5,199	-0.1	18.7	Sugar	14.41	-0.6			
NZD/EUR	0.6374	-0.2			THB	33.58	-0.1		Nikkei	20,145	+0.6	19.8	Cotton	69.55	+1.1			
NZD/GBP	0.5710	+1.1			KRW	1,126	+0.5		Shanghai	3,245	+0.4	6.8	Coffee	135.0	-0.6			
NZD/JPY	82.98	+0.7			TWD	30.46	+0.1		ASX 200	5,761	+0.5	4.5	WM powder	3170.0	+0.6			
NZ TWI	78.52	+0.7			PHP	50.86	+0.0		NZX 50	7,672	-0.8	6.4	<b>Australian Futures</b>					
<b>Interest Rates</b>												3 year bond 97.92 -0.01						
												10 year bond 97.25 -0.01						
Rates					Swap Yields				Benchmark 10 Yr Bonds				NZ Government Bonds			NZ Swap Yields		
	Cash	3Mth	2 Yr	10 Yr		Last	Net Day		Last		Last		Last		Last			
USD	1.25	1.31	1.60	2.23	USD	2.26	-0.01		NZGB 3 04/15/20	2.15	0.00		1 year	2.04	0.00			
AUD	1.50	1.70	2.01	2.94	AUD	2.74	0.01		NZGB 6 05/15/21	2.32	0.01		2 year	2.24	0.01			
NZD	1.75	1.94	2.24	3.32	NZD	2.95	0.02		NZGB 5 1/2 04/15/23	2.61	0.01		5 year	2.80	0.01			
EUR	0.00	0.06	-0.15	0.92	GER	0.53	-0.01		NZGB 2 3/4 04/15/25	2.83	0.01		7 year	3.06	0.01			
GBP	0.25	0.29	0.61	1.26	GBP	1.21	0.01		NZGB 4 1/2 04/15/27	2.95	0.02		10 year	3.32	0.00			
JPY	-0.06	-0.01	0.04	0.26	JPY	0.08	0.00		NZGB 3 1/2 04/14/33	3.29	0.02		15 year	3.56	0.00			
CAD	0.75	1.17	1.51	2.18	CAD	1.89	-0.01		NZGB 2 3/4 04/15/37	3.51	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 07:14

Source: Bloomberg

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