

23 July 2021



Events Round-Up

EC: ECB deposit facility rate (%), Jul: -0.5 vs. -0.5 exp.

US: Initial jobless claims (k), 17-Jul: 419 vs. 350 exp.

US: Existing home sales (m), Jun: 5.86 vs. 5.90 exp.

EC: Consumer confidence, Jul: -4.4 vs. -2.6 exp.

Good Morning

Global equity markets show modest gains while the US 10-year rate has traded a wide range again with yields currently down slightly. Currency movements have been modest, with the EUR on the soft side after the ECB reaffirmed its dovish credentials. The NZD and AUD show modest gains overnight.

Markets have been in a mood to consolidate after some volatility earlier this week. The S&P500 has moved in and out of negative-positive territory through the night and currently trades up 0.2%. The Euro Stoxx 600 index closed 0.6% higher. The US 10-year rate has again traded a wide range, between 1.23-1.31% overnight, and currently sits at 1.27%, down 2bps for the day and down slightly from the NZ close.

In economic data, US jobless claims unexpectedly rose last week to 419k, some 70k higher than the market expected but seasonal adjustment factors could be at play here and not too much should be read into the figures. US existing home sales rose for the first time in five months and median prices rose by 23.4% y/y amid low inventory. Euro area consumer confidence declined in July from a 3½-year high, as new cases of COVID19 increased.

European rates and EUR have shown a little volatility with the market focused on the ECB's latest policy update, with the net result being both lower rates, with 10-year yields across the Eurozone down 3-6bps and a weaker EUR, the worst performing of the majors, albeit down only 0.2% to 1.1770 since the NZ close.

The ECB's didn't modify any policy settings, but forward guidance on interest rates was revised, reflecting its new symmetric inflation target of 2%. We'll spare the details, as the guidance on rates runs for 101 words but suffice to say that interest rate hikes from the ECB remain a distant prospect, given the subdued outlook for inflation, with the recent pick-up seen to be transitory. There was no discussion of the pandemic bond buying programme,

which will continue at its current pace alongside the long-standing asset purchase programme, but ECB President Lagarde signalled that QE might be up for debate in September when new forecasts are released.

At the other end of the leaderboard, GBP has been the best performing, albeit up a modest 0.4% to 1.3770, with no obvious triggers and little reaction to move dovish speak by an MPC member. Deputy Governor Broadbent played the transitory inflation card and argued the appropriate policy response to the inflation overshoot might be to do nothing.

There isn't much to see on NZD and AUD, with the NZD up slightly to 0.6975 and the AUD up slightly to 0.7380, with the NZD/AUD down a little to 0.9450. The number of new COVID19 cases in NSW rose to 126, with 48 community cases, a new high for this outbreak and adding to the likelihood of an extended lockdown. There is speculation that the NZ government will announce today a complete halt to the trans-Tasman quarantine-free travel bubble until further notice. TV3 reports that Air NZ has jumped the gun and already changed its voicemail message in line with this change in policy.

In the domestic rates market the first Government bond tender after the end of QE saw strong bidding across the mix of bonds on offer. This was particularly evident for the longer dated bonds, with the 2033 bond receiving \$432m of bids for the \$100m on offer and going for just under 5bps lower than prevailing mids ahead of the auction. This saw a significant turnaround, with yields reversing course after seeing upward pressure earlier in the day from global forces. The 10-year NZGB fell by 2bps to 1.52% going against the rise in US and Australian rates and the 3bps lift in the 10-year swap rate.

In the day ahead, Markit PMIs across European, the UK and the US will be on the radar, with various up and down moves expected across the manufacturing and services sectors but all remaining well within expansionary territory, either in the high 50s or low-mid 60s

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Coming Up

		Period	Cons.	Prev.	NZT
UK	GfK consumer confidence	Jul	-8	-9	11:01
UK	Retail sales ex auto fuel (m/m%)	Jun	0.1	-2.1	18:00
GE	Markit manufacturing PMI	Jul	64.1	65.1	19:30
GE	Markit services PMI	Jul	59.5	57.5	19:30
EZ	Markit manufacturing PMI	Jul	62.5	63.4	20:00
EZ	Markit services PMI	Jul	59.3	58.3	20:00
UK	Markit PMI manufacturing	Jul	62.4	63.9	20:30
UK	Markit services PMI	Jul	62.0	62.4	20:30
CA	Retail sales ex auto (m/m%)	May	-1.5	-7.2	00:30
US	Markit manufacturing PMI	Jul	62.0	62.1	01:45
US	Markit services PMI	Jul	64.5	64.6	01:45

Source: Bloomberg, BNZ

Foreign Exchange						Equities				Commodities**				
Indicative overnight ranges (*)					Other FX		Major Indices			Price				
	Last	% Day	Low	High		Last	% Day			Last	Net Day			
NZD	0.6975	+0.1	0.6949	0.6986	CHF	0.9193	+0.2	S&P 500	4,367	+0.2	33.3	Oil (Brent)	73.73	+2.1
AUD	0.7382	+0.3	0.7355	0.7397	SEK	8.677	-0.2	Dow	34,873	+0.2	29.1	Oil (WTI)	71.87	+2.2
EUR	1.1769	-0.2	1.1757	1.1830	NOK	8.853	-0.4	Nasdaq	14,681	+0.3	37.1	Gold	1807.1	+0.2
GBP	1.3772	+0.4	1.3715	1.3787	HKD	7.771	-0.0	Stoxx 50	4,059	+0.8	20.4	HRC steel	1780.0	+0.0
JPY	110.19	-0.1	110.01	110.36	CNY	6.471	+0.0	FTSE	6,968	-0.4	12.3	CRB	216.3	+1.6
CAD	1.2564	+0.1			SGD	1.360	-0.3	DAX	15,515	+0.6	18.4	Wheat Chic.	701.5	-2.5
NZD/AUD	0.9449	-0.3			IDR	14,483	-0.4	CAC 40	6,482	+0.5	28.7	Sugar	17.62	-0.3
NZD/EUR	0.5927	+0.3			THB	32.89	+0.2	Nikkei	27,548	+0.6	21.1	Cotton	90.27	+1.3
NZD/GBP	0.5065	-0.4			KRW	1,150	-0.3	Shanghai	3,575	+0.3	7.5	Coffee	193.7	+10.0
NZD/JPY	76.86	-0.0			TWD	28.02	-0.1	ASX 200	7,386	+1.1	21.2	WM powder	3675.0	+0.3
NZD/CAD	0.8763	+0.1			PHP	50.14	-0.4	NZX 50	12,721	+0.1	8.8	Australian Futures		
NZ TWI	74.12	-0.0										3 year bond	99.7	0.01
												10 year bond	98.81	0.03
Interest Rates						NZ Government Bonds				NZ Swap Yields				
	Rates		Swap Yields		Benchmark 10 Yr Bonds		Last		Last		Last			
	Cash	3Mth	2 Yr	10 Yr	Last	Net Day								
USD	0.25	0.14	0.28	1.27	USD	1.26	-0.03	NZGB 5 1/2 04/15/23	0.74	-0.01	1 year	0.81	0.01	
AUD	0.10	0.03	0.22	1.31	AUD	1.19	0.03	NZGB 2 3/4 04/15/25	1.02	-0.01	2 year	1.03	0.02	
NZD	0.25	0.46	1.03	1.78	NZD	1.52	-0.01	NZGB 4 1/2 04/15/27	1.21	-0.01	5 year	1.43	0.02	
EUR	0.00	0.06	-0.48	-0.05	GER	-0.43	-0.03	NZGB 3 04/20/29	1.40	-0.01	7 year	1.60	0.03	
GBP	0.10	0.07	0.43	0.83	GBP	0.57	-0.04	NZGB 1 1/2 05/15/31	1.52	-0.02	10 year	1.78	0.03	
JPY	-0.05	-0.08	-0.03	0.04	JPY	0.02	0.00	NZGB 2 3/4 04/15/37	2.02	-0.00	15 year	1.99	0.03	
CAD	0.25	0.44	0.78	1.65	CAD	1.20	-0.03	NZGB 1 3/4 05/15/41	2.30	-0.01				

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

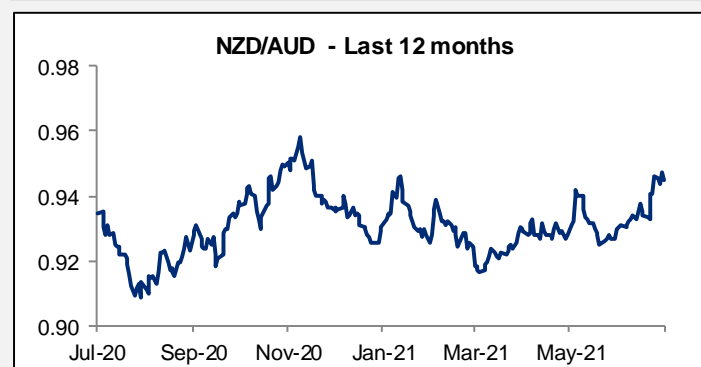
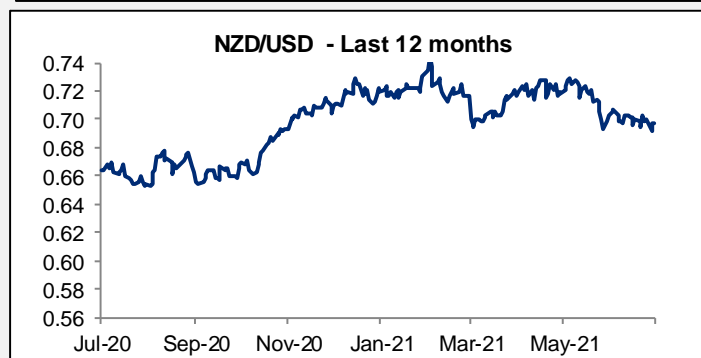
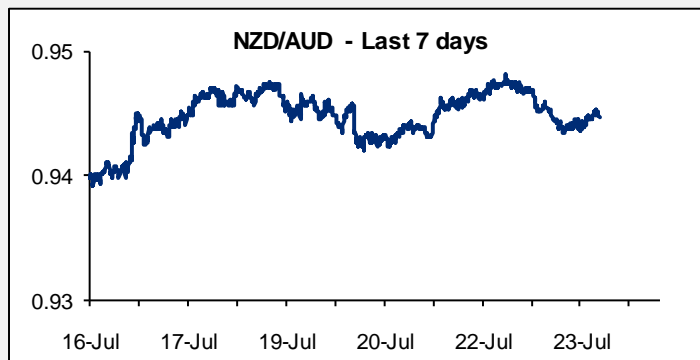
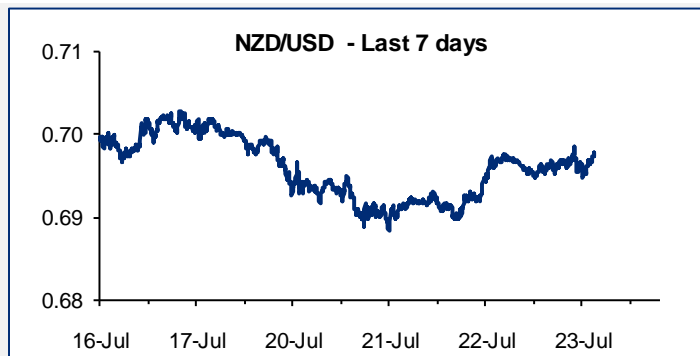
** All near futures contracts, except CRB. Metals prices are CME.

Rates are as of: NZT 06:50

Source: Bloomberg

NZD exchange rates

23/07/2021 6:50 am		Prev. NY close
USD	0.6975	0.697
GBP	0.5065	0.5083
AUD	0.9449	0.9471
EUR	0.5927	0.5910
JPY	76.86	76.87
CAD	0.8763	0.8752
CHF	0.6412	0.6396
DKK	4.4081	4.3957
FJD	1.4549	1.4524
HKD	5.4201	5.4179
INR	51.94	52.01
NOK	6.1752	6.1952
PKR	112.17	111.43
PHP	34.97	35.11
PGK	2.4474	2.4456
SEK	6.0520	6.0567
SGD	0.9484	0.9504
CNY	4.5133	4.5082
THB	22.93	22.90
TOP	1.5528	1.5621
VUV	77.39	77.44
WST	1.7830	1.7818
XPF	70.18	70.13
ZAR	10.2601	10.1719



NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	-0.61	-0.32
3 Months	-4.10	-3.62
6 Months	-12.74	-11.74
9 Months	-25.19	-23.46
1 Year	-40.10	-38.10

NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
1 Month	-2.08	-1.51
3 Months	-9.43	-8.38
6 Months	-26.09	-23.87
9 Months	-44.01	-40.39
1 Year	-64.28	-60.00

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