

31 August 2021



Events Round-Up

EC: Economic confidence, Aug: 117.5 vs. 118.0 exp.

GE: CPI (EU Harmonized, y/y%), Aug: 3.4 vs. 3.4 exp.

US: Pending home sales (m/m%), Jul: -1.8 vs. 0.3 exp.

Good Morning

Markets have started the week on an uneventful note, with US equities pushing up to yet another fresh record high (yawn), the US 10-year rate is down slightly within a 3bps range and the NZD has been stuck in a 25pip range around 0.70. If you really have nothing else to do, please read on.

Making money has never been this boring. The S&P500 is up 0.6% on track for another record close which would be the twelfth time this month. The IT and consumer discretionary sectors lead the way (Apple and Amazon outperforming), while financials and energy sectors are lower. US rates are down 1-3bps across the curve, with the 10-year Treasury yield trading within a 3bps range and currently down at the lower end around 1.29%, down 2bps from the NZ close.

Markets are still facing the afterglow of Fed Chair Powell's speech at the end of last week, where he said that it "could" be appropriate to start reducing the pace of asset purchases this year but the timing and pace of this would not signal the timing of any lift in the Fed Funds rate. Conditions for the latter would require, "inflation on track to moderately exceed 2% for some time" and the nirvana of "maximum employment". The market was half expecting Powell to offer something new, perhaps a glimmer that the hawks on the committee had raised a good point that there was no need to keep policy at emergency policy settings. But there was not even a hint of this tone. Since the speech the S&P500 has risen over 1% and the 5-year rate (one of the most sensitive parts of the curve to medium term policy decisions) has fallen by 9bps.

In overnight news the cupboard is fairly bare. Economic data showed Germany's annual CPI inflation rising to 3.4%, as expected, its highest rate since 2008 while Spain's inflation was much stronger than expected at 3.3%. Headline and core inflation data for the euro area are due tonight and both are expected to show a lift. The market is unconcerned as the rise is expected to prove temporary. Economic confidence in the euro area slipped for the first

time this year in August, albeit down from the record high set last month. Rising COVID19 case numbers looks to have been a factor, with services managers less positive on future demand given the overhanging threat of new restrictions.

US pending homes sales unexpectedly fell for a second consecutive month. The release noted that "the market might be starting to cool slightly, but at the moment there is not enough supply to match the demand from would-be buyers".

Currency movements have been well contained, with movements for the majors we track all within 0.2% of last week's close. The AUD is on the softer side, down 0.2% to slip below 0.73. The NZD has been hovering flat around the 0.70 mark, seeing NZD/AUD back at 0.96 – a key resistance level which we believe it will ultimately push through, with our central forecast at that level for coming months consistent with the range extending up to 0.98.

NZD/USD looks like it is back to trading the familiar 0.6950-0.71 trading range in play since mid-June, apart from the brief selloff that occurred following the announcement that one case of community transmission of COVID19 had been discovered, leading to the current lockdown.

On that note, there has been good news, with the strict lockdown showing significant containment of the spread of the virus has been achieved. Yesterday the PM confirmed that restrictions will ease to level 3 from Wednesday for the country south of Auckland, while Auckland's level 4 restriction would remain in place for at least another two weeks.

The domestic rates market was quiet yesterday with little movement in yields.

The economic calendar is full for the day ahead. Looking at the key releases, the ANZ business outlook survey might give an early guide on the impact of the latest lockdown if ANZ provides the detail on pre and post lockdown survey respondents. China PMI data are expected to slip further. In the US, there will be some interest in whether the Conference Board measure of consumer confidence plunges as much as the University of Michigan survey measure did in August.

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Coming Up

		Period	Cons.	Prev.	NZT
NZ	Building permits (m/m%)	Jul	3.8	10:45	
JN	Industrial production (m/m%)	Jul	-2.5	6.5	11:50
NZ	ANZ activity outlook (net%)	Aug	26.3	13:00	
CH	Non-manufacturing PMI	Aug	52.0	53.3	13:00
CH	Manufacturing PMI	Aug	50.1	50.4	13:00
AU	Current account balance (\$b)	Q2	21.0	18.3	13:30
AU	Building approvals (m/m%)	Jul	-5.0	-6.7	13:30
GE	Unemployment rate (%)	Aug	5.6	5.7	19:55
EC	CPI core (y/y%)	Aug	1.5	0.7	21:00
CA	GDP (q/q% ann'lsd)	Q2	2.5	5.6	00:30
US	Chicago PMI	Aug	68.0	73.4	01:45
US	Conf. Board consumer confidence	Aug	123	129.1	02:00

Source: Bloomberg, BNZ

Foreign Exchange					Equities			Commodities**						
Indicative overnight ranges (*)					Other FX			Major Indices			Price			
	Last	% Day	Low	High		Last	% Day			Last	% Day	Net Day		
NZD	0.7007	-0.1	0.6990	0.7010	CHF	0.9163	+0.6	S&P 500	4,534	+0.6	29.3	Oil (Brent)	73.23	+0.7
AUD	0.7298	-0.2	0.7288	0.7307	SEK	8.620	-0.2	Dow	35,457	+0.0	23.7	Oil (WTI)	69.03	+0.4
EUR	1.1803	+0.1	1.1783	1.1805	NOK	8.664	-0.6	Nasdaq	15,284	+1.0	30.7	Gold	1808.2	-0.5
GBP	1.3767	+0.0	1.3734	1.3772	HKD	7.787	-0.0	Stoxx 50	4,199	+0.2	26.6	HRC steel	1939.0	-0.6
JPY	109.89	+0.0	109.76	109.96	CNY	6.467	-0.1	FTSE	7,148	+0.3	19.9	CRB	219.5	+0.2
CAD	1.2607	-0.1			SGD	1.344	-0.1	DAX	15,887	+0.2	21.9	Wheat Chic.	723.8	-1.2
NZD/AUD	0.9601	+0.1			IDR	14,370	-0.3	CAC 40	6,687	+0.9	33.7	Sugar	20.22	+1.0
NZD/EUR	0.5937	-0.1			THB	32.46	-0.2	Nikkei	27,789	+0.5	20.1	Cotton	95.61	-0.8
NZD/GBP	0.5090	-0.1			KRW	1,166	-0.2	Shanghai	3,528	+0.2	3.9	Coffee	199.9	+3.5
NZD/JPY	77.00	-0.0			TWD	27.77	-0.6	ASX 200	7,505	+0.2	23.8	WM powder	3550.0	+0.3
NZD/CAD	0.8834	-0.2			PHP	49.84	-0.2	NZX 50	13,181	+0.9	10.4	Australian Futures		
NZ TWI	74.47	-0.1										3 year bond	99.74	0.03
												10 year bond	98.87	0.03

Interest Rates					NZ Government Bonds			NZ Swap Yields					
Rates	Swap Yields				Benchmark 10 Yr Bonds		Last	Last	Last	Last			
	Cash	3Mth	2 Yr	10 Yr	Last	Net Day							
USD	0.25	0.12	0.30	1.30	USD	1.28	-0.02	NZGB 5 1/2 04/15/23	0.91	0.00	1 year	0.95	-0.01
AUD	0.10	0.01	0.21	1.31	AUD	1.16	-0.03	NZGB 2 3/4 04/15/25	1.24	-0.01	2 year	1.29	-0.00
NZD	0.25	0.46	1.29	1.96	NZD	1.72	-0.01	NZGB 4 1/2 04/15/27	1.42	-0.01	5 year	1.64	0.00
EUR	0.00	0.06	-0.49	-0.07	GER	-0.44	-0.02	NZGB 3 04/20/29	1.59	-0.01	7 year	1.78	0.00
GBP	0.10	0.07	0.48	0.86	GBP	0.58	0.00	NZGB 1 1/2 05/15/31	1.72	0.01	10 year	1.96	0.01
JPY	-0.05	-0.10	-0.02	0.05	JPY	0.02	-0.01	NZGB 2 3/4 04/15/37	2.23	0.01	15 year	2.22	0.01
CAD	0.25	0.44	0.81	1.67	CAD	1.19	-0.02	NZGB 1 3/4 05/15/41	2.51	0.01			

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

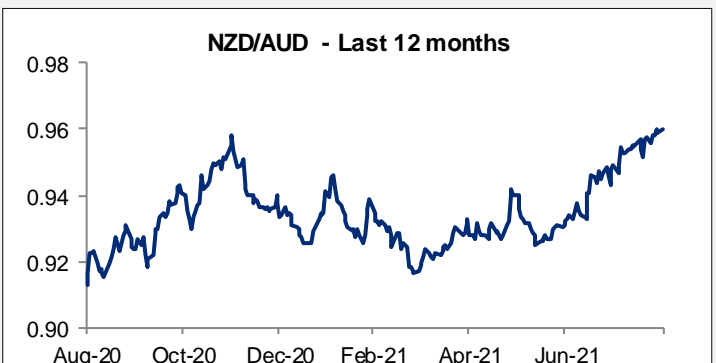
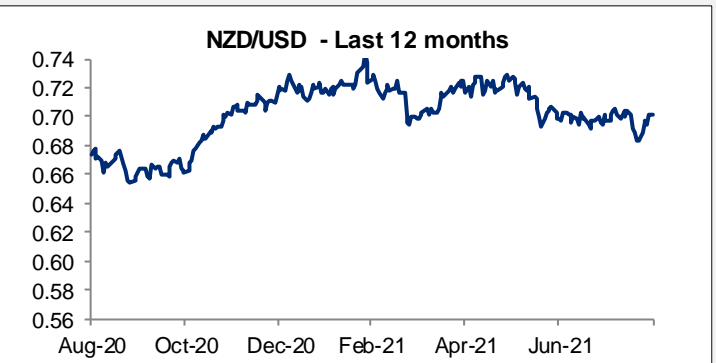
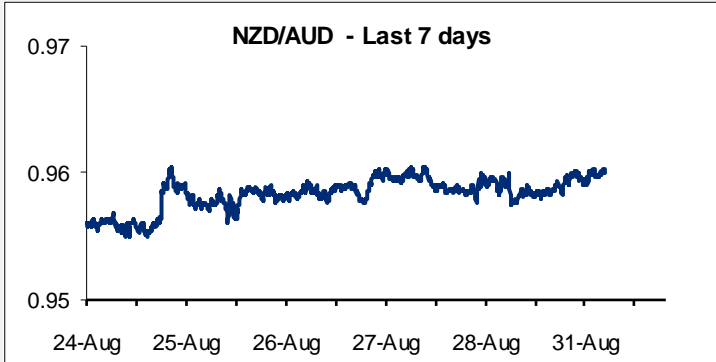
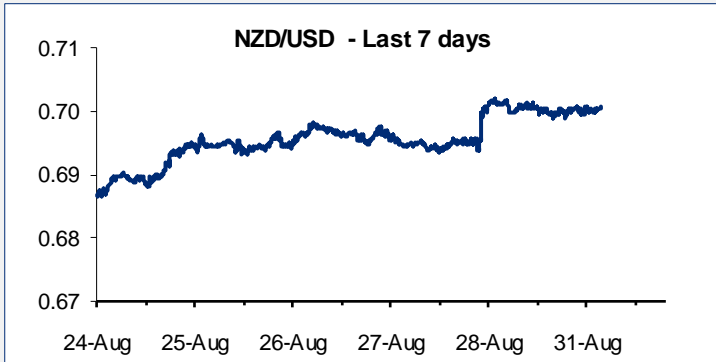
** All near futures contracts, except CRB. Metals prices are CME.

Rates are as of: NZT 06:57

Source: Bloomberg

NZD exchange rates

31/08/2021 6:57 am		Prev. NY close
USD	0.7007	0.7011
GBP	0.5090	0.5094
AUD	0.9601	0.9588
EUR	0.5937	0.5944
JPY	77.00	77.01
CAD	0.8834	0.8848
CHF	0.6421	0.6389
DKK	4.4143	4.4203
FJD	1.4674	1.4735
HKD	5.4565	5.4599
INR	51.34	51.66
NOK	6.0711	6.1088
PKR	116.32	115.06
PHP	35.00	35.04
PGK	2.4586	2.4583
SEK	6.0397	6.0579
SGD	0.9420	0.9437
CNY	4.5312	4.5375
THB	22.74	22.87
TOP	1.5581	1.5539
VUV	77.70	78.34
WST	1.7913	1.7767
XPF	70.80	70.65
ZAR	10.2739	10.3222



NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	-0.20	0.12
3 Months	-3.60	-2.98
6 Months	-13.31	-12.31
9 Months	-29.91	-27.99
1 Year	-50.07	-48.07

NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
1 Month	-1.97	-1.31
3 Months	-9.24	-8.01
6 Months	-28.01	-25.86
9 Months	-53.31	-49.43
1 Year	-82.39	-77.70

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