

Another week, another all-time high for US shares.

In US economic data, Non-farm Payrolls (employment) in June rose by 850,000. That's the most in 10 months, and stronger than expectations which were centred on a 720,000 lift. The unemployment rate rose from 5.8% to 5.9% in June (survey: 5.6%), with the participation rate steady at 61.6% (survey: 61.7%). The US trade deficit increased from US\$69.1bn to US\$71.2bn in May (survey: -US\$71.3bn) while factory orders rose by 1.7% in May (survey: +1.6%).

US sharemarkets advanced on Friday. Shares of Microsoft (+2.2%) and Apple (+2.0%) boosted the S&P 500 index. But Boeing (-1.3%) weighed on the Dow Jones index after a Boeing 737 cargo plane made an emergency landing near Hawaii. The Dow Jones index rose 0.4%, while the S&P 500 and the Nasdaq indices both rose 0.8%. All three indices closed at record highs. For the week, the Dow added 1.0%, the S&P 500 rose 1.7% and the Nasdaq gained 1.9%.

US treasury yields fell on Friday as investors digested the US household labour report that showed a slight increase in the unemployment rate. US 2-year yields fell by 2 points to 0.2376%. And US 10-year yields dipped 3 points to 1.4306%. Over the week, US 2-year yields slid 3 points and US 10-year yields lost 10 points.

European sharemarkets rose on Friday. The pan-European STOXX 600 index lifted by 0.3% with technology shares up 1.1%, but bank stocks lost 1.3% as bond yields fell. The German Dax index also gained 0.3% and the UK FTSE index was little changed.

The NZ sharemarket was up 0.2% on Friday and 0.5% over the week. The recovery in a2 Milk's share price (up over 5% on Friday) led the gains. NZ 10-year Government Bond yields were down 2 basis points over the week, to trade around 1.80%.

Global oil prices were mixed on Friday. OPEC and its allies abandoned oil supply negotiations until today after the United Arab Emirates blocked a deal. Brent crude rose by 0.4% to US\$76.17 a barrel but were little changed on week-ago levels.

FX Comment: Major currencies were stronger against the US dollar in European and US trade. That's helped the NZD back above 0.7000 against the USD to start the week. NZD/AUD continues to trade near 0.9340, little changed on a week ago.

Day ahead: There are no local data releases today, but across the Tasman the final reading of retail sales for May and building approvals data are due. Final readings of composite PMIs are due in Japan and Europe. It's a holiday in the US tonight.

Week ahead local: The NZIER Quarterly Survey of Business Opinion(QSBO) is due tomorrow. Business sentiment has been on an improving trajectory as the economic outlook has brightened. We expect more of the same from the Q2 QSBO survey. Observed and expected domestic trading activity readings from the survey are expected to climb towards historical averages. Improvement should also be evident from investment and employment intentions of the survey. However, the survey is likely to continue to flag further upside pressures on pricing, with capacity gauges and readings for expected selling prices and average costs to move higher. **Week ahead offshore:** The RBA meeting tomorrow will be a highlight in Australia. This meeting has been highly anticipated since May when the Governor foreshadowed a decision will be made on yield curve control (YCC) and the bond buying program (also known as quantitative easing or QE) at this meeting. The FOMC Minutes are due Thursday morning NZT, any indications around the timing of tapering asset purchases will be important. At the same time, market participants will look for more evidence that the FOMC's tolerance for an inflation overshoot is waning. Inflation data in China is due on Friday. We expect CPI to print at 1.2%p.a. in June. Still soft consumer spending and intermittent lockdowns are a headwind. In contrast, high commodity prices are pushing PPI higher with growth of 9%p.a. in June expected. **Author:** chris.tennent-brown@asb.co.nz

Currencies			Currencies			Commodities			Equities		
NZD/USD	0.7026	-0.1%	NZD/SEK	6.003	-0.1%	NZX WMP	3910.0	1.0%	Dow	34786	0.4%
NZD/AUD	0.9336	-0.1%	NZD/DKK	4.405	-0.1%	Gold \$/o	1787.3	0.6%	S&P 500	4352	0.8%
NZD/EUR	0.5921	-0.1%	NZD/THB	22.6	0.1%	WTI Oil \$/b	75.2	-0.1%	NASDAQ	14639	0.8%
NZD/JPY	77.98	-0.1%	AUD/USD	0.7526	0.0%	Money Market (%)			FTSE	7123	0.0%
NZD/GBP	0.5080	-0.1%	EUR/USD	1.187	0.0%	90 Day BB	0.35	-0.01	CAC-40	6553	0.0%
NZD/CAD	0.8656	-0.1%	USD/JPY	111.0	0.0%	OCR	0.25	0.00	DAX	15650	0.3%
NZD/CHF	0.6476	0.0%	10 Yr Bond Yields (%)			ASB Swap Rates (%)			H.Seng	28310	-1.8%
NZD/HKD	5.463	0.0%	NZ	1.82	-0.07	1yr	0.52	-0.01	Nikkei	28783	0.3%
NZD/SGD	0.9478	0.1%	US	1.42	-0.03	2yr	0.80	0.01	ASX200	7309	0.6%
NZD/CNH	4.547	-0.1%	Aust	1.48	-0.04	5yr	1.37	0.00	NZX50	12712	0.2%

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