



It's been a typically quiet start to the week with little in the way of market volatility or earth-shattering news yesterday – and it's been even quieter overnight.

The key development yesterday was the news at 4pm that most of NZ outside of Auckland will move from Alert Level 3 to Alert Level 2 (albeit with some additional, tighter restrictions) tonight at 11.59pm. Those of us in the big smoke will have to wait until at least next Tuesday to shift down alert levels, though we can all take heart that the current restrictions appear to be proving effective (as we noted in yesterday's [Economic Weekly](#)), as well as the huge lift in vaccination progress of late.

Given the tweaking in alert levels was well-signposted and in keeping with the paucity of new cases outside of Auckland, markets were pretty indifferent. Equities were little changed over the day (+0.08%), while government bond and swap yields drifted upward over the day after opening higher. OIS pricing was a tad higher over the day, but not much – markets look pretty comfortable with circa 47 bps of OCR hikes prices by year-end.

Things were thin on the data calendar too – NZ building work lifted 1.7% over Q2 (pre lockdown, so of limited value to markets). In Aussie, the monthly inflation gauge showed little pricing pressure (+0.0% mom) and job advertisements fell 2.5% mom.

Overnight, markets have been shut for the labour day holiday in the US, so there's little news out of North America.

Outside of the US, the big theme has been continued gains for equity markets, despite the softer US employment data at the end of last week. The MSCI global equity index has risen for a fourth consecutive day, with some decent gains in Europe (Pan-Euro Stoxx: +1.05%) building on a solid Asia-Pacific session yesterday. US equity futures have also rallied. While Non-farm Payrolls may have disappointed, markets appear to be focusing more on the likelihood the Fed will delay tapering.

FX update: A stronger USD and a softer NZD and AUD after an undramatic night. NZD/USD is currently trading around 0.713, NZD/AUD is tracking sideways just south of 0.960.

Day ahead: It's all about the RBA, with the first of the week's big trio of central bank meetings at 4.30pm NZT. 'Taper' is the word of the day given, at its last meeting, the RBA announced it would begun reducing bond purchases from the September meeting onwards. Our brethren at CBA reckon the Bank is likely to reverse that call as the Aussie Delta outbreak has gone from bad to worse and the path back to normality looks increasingly uncertain. Expect purchases to continue running at a pace of A\$5bn per week.

The only other data release out during the Kiwi workday is the Chinese trade balance. CBA expect the monthly trade balance narrowed to US\$51bn over August but expect the outlook for Chinese exports to remain supportive looking ahead (a plus for Kiwi exporters too given their presence in the Chinese market). Overnight, we've got the latest GlobalDairyTrade auction in the wee hours of the morning. Future pricing points to a decent-ish lift in WMP prices (circa 3%), though we think the risks are skewed to a more modest result. Our farmgate milk price forecast for the 21/22 season sits at \$7.90kg/MS. **Author:** nathaniel.keall@asb.co.nz

Currencies			Currencies			Commodities			Equities		
NZD/USD	0.7135	-0.3%	NZD/SEK	6.112	-0.1%	NZX WMP	3655.0	0.0%	Dow	35369	-0.2%
NZD/AUD	0.9597	0.0%	NZD/DKK	4.471	-0.2%	Gold \$/o	1823.3	-0.2%	S&P 500	4535	0.0%
NZD/EUR	0.6012	-0.2%	NZD/THB	23.2	-0.2%	WTI Oil \$/b	69.3	-1.0%	NASDAQ	15364	0.2%
NZD/JPY	78.38	-0.1%	AUD/USD	0.7435	-0.3%	Money Market (%)			FTSE	7187	0.7%
NZD/GBP	0.5158	-0.1%	EUR/USD	1.187	-0.1%	90 Day BB	0.50	0.02	CAC-40	6744	0.8%
NZD/CAD	0.8943	-0.3%	USD/JPY	109.9	0.1%	OCR	0.25	0.00	DAX	15932	1.0%
NZD/CHF	0.6529	-0.2%	10 Yr Bond Yields (%)			ASB Swap Rates (%)			H.Seng	26164	1.0%
NZD/HKD	5.547	-0.3%	NZ	2.00	0.05	1yr	1.03	0.04	Nikkei	29660	1.8%
NZD/SGD	0.9577	-0.2%	US	1.32	0.00	2yr	1.37	0.02	ASX200	7528	0.1%
NZD/CNH	4.603	-0.2%	Aust	1.26	0.03	5yr	1.78	0.03	NZX50	13300	0.0%

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