

## US labour market strength continues

**US Non-farm Payrolls** (employment) rose by 943,000 in July, which was much stronger than expectations of a lift closer to 870,000. The unemployment rate fell more than expected, dropping from 5.9% to 5.4% (survey 5.7%). Average hourly earnings lifted by 0.4% in July to be up 4.0% on a year ago (survey: +3.8%). **US sharemarkets** were mixed on Friday. The Dow Jones and S&P 500 indexes hit record highs while the Nasdaq eased from peak levels. A stronger-than-expected jobs report offset worries about the delta variant of Covid-19. The Dow rose 0.4% while the S&P 500 index gained 0.2%. But the Nasdaq index 0.4%. Over the week, the Dow Jones rose 0.8%; the S&P 500 rose 0.9%; and the Nasdaq rose by 1.1%. **US Treasuries** fell (yields higher) in response to strong US jobs and earnings (wage) data on Friday. The US 10-year yield rose by 8 points to near 1.305%. For the week, US 10-year yields rose by 8 points.

**The New Zealand sharemarket** lifted 0.1% on Friday, and 1.4% over the week. The NZ 10-year yield rose 10 basis points over the week.

**European sharemarkets were mostly flat on Friday.** The pan-European STOXX 600 index was unchanged. The German Dax index rose by 0.1%. The UK FTSE index was flat (up just 2.5 points).

**In Chinese economic data**, exports rose by 19.3% in US dollar terms in July on a year ago (survey: +20.8%) with imports up 28.1% on a year ago (survey: +33%). The trade surplus lifted from US\$51.53bn to US\$56.58bn in July (survey: US\$51.54bn). **Global oil prices** fell by around 1% on Friday after China (the world's second biggest oil consumer) imposed travel curbs in some cities. Over the week, Brent fell by US\$5.63 or 7.4% to \$70.70 a barrel.

**FX comment:** Major currencies were weaker against the US dollar in European and US trade on Friday. The NZD was flat trading near 0.7000 against the USD and above 0.9500 against the AUD.

**Day ahead:** There are no NZ releases today. In China, inflation data are due. In the US, JOLTs job openings and consumer inflation expectations figures are released.

**Week ahead local:** July electronic card spending data are due tomorrow. We expect a solid increase in monthly total and retail card spending in July. The July month saw increases in income support payments announced in Budget 2021, with the next increase occurring in April 2022. Much of this four-yearly \$3.3bn package will likely be converted to consumer spending. Food prices for July are due Thursday and migration figures are due Friday. The RBNZ releases its survey of expectations on Thursday, and the inflation expectations will be interesting. Shorter-term inflation expectations from the RBNZ survey are expected to ratchet higher, given higher headline inflation (up to 3.3% in Q2 and on track to approach 4% in H2 this year), increasing capacity constraints, and the uptick in cost and price expectations in various business surveys. The latest Business NZ PMI is out on Friday.

**Week ahead offshore:** In the US the focus will be on the July inflation print Wednesday. We estimate the monthly pace of CPI growth moderated in July. A combination of base effects (weak inflation a year ago) and re-opening frictions has driven prices sharply higher in recent months. However, base effects and re-opening frictions are beginning to fade. We expect annual US CPI to trend lower over the remainder of the year. UK Q2 21 GDP data are due Thursday and we expect the data will show the economy expanded strongly over Q2 as restrictions were eased over the quarter.

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Currencies			Currencies			Commodities			Equities		
NZD/USD	0.7011	0.0%	NZD/SEK	6.074	-0.1%	NZX WMP	3590.0	-0.3%	Dow	35209	0.4%
NZD/AUD	0.9525	-0.1%	NZD/DKK	4.432	-0.1%	Gold \$/o	1763.0	-2.3%	S&P 500	4437	0.2%
NZD/EUR	0.5960	-0.1%	NZD/THB	23.4	-0.1%	WTI Oil \$/b	68.3	-1.2%	NASDAQ	14836	-0.4%
NZD/JPY	77.35	0.0%	AUD/USD	0.7361	0.1%	<b>Money Market (%)</b>			FTSE	7123	0.0%
NZD/GBP	0.5050	0.0%	EUR/USD	1.177	0.0%	90 Day BB	0.65	0.00	CAC-40	6817	0.5%
NZD/CAD	0.8801	0.0%	USD/JPY	110.3	0.1%	OCR	0.25	0.00	DAX	15761	0.1%
NZD/CHF	0.6410	-0.1%	<b>10 Yr Bond Yields (%)</b>			<b>ASB Swap Rates (%)</b>			H.Seng	26179	-0.1%
NZD/HKD	5.453	0.0%	NZ	1.73	0.02	1yr	1.03	0.01	Nikkei	27820	0.3%
NZD/SGD	0.9496	-0.1%	US	1.30	0.07	2yr	1.23	-0.01	ASX200	7538	0.4%
NZD/CNH	4.542	-0.1%	Aust	1.20	0.03	5yr	1.56	0.00	NZX50	12770	0.0%

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