

Keep up the pace NZ

It was another quiet day in the local market peppered by some more positive developments on the COVID front. 15 new COVID cases were recorded yesterday (all in the big smoke), with the current outbreak's Re-number reportedly down to about 0.4 according to [testimony](#) heard by Parliament's Health Select Committee yesterday (the Re-number is the average number of people that one infected person passes the virus to during a given outbreak, so a figure below 1 indicates things are slowing down). There's a lot we don't know yet – let's not do a poultry census until the eggs have finished incubating, but the risk of some of the more extreme downside scenarios feared at the start of the outbreak does seem to be receding.

On a similar theme, NZ's vaccination progress is also heading in the right direction. According to the Ministry of Health's daily data update, circa 75% of the eligible population has received at least one dose or booked their first vaccination appointment. Daily vaccine administration rates are also looking quite strong at circa 1.6 daily doses per 100 people per [Our World in Data](#). For comparison, that's a bit short of what the Israelis, the Cubans and the plucky Icelanders were hitting earlier in the year, but ahead of the daily rates that Aussie, Canada, the UK, USA and the EU have ever achieved.

Overnight, risk sentiment has been a bit choppy, with equities lower across the board in Europe and North America. That's despite the New York Fed's John Williams coming out to emphasise the Bank is likely to keep monetary policy supportive, stating that long-term inflation expectations are consistent with the Fed's goals and that it is still some distance from maximum employment. The Fed's Beige Book, also out earlier this morning, undercut the latter point slightly by highlighting persistent labour shortages in the US economy, though it did note growth has been slowing of late.

As at the time of writing, the Dow is down 0.13%, the S&P 500 is 0.15% lower, and the Nasdaq has fallen 0.60%. In the bond market, Treasury yields are a bit lower and the curve flatter in light of those Fed comments. The 10-year yield is currently sitting around 1.331%.

Despite the softer tone overnight, the NZD has actually been one of the better performing currencies. That comes even as the G9's other commodity currencies have typically lost ground, with the safe-haven currencies generally being stronger. NZD/USD is currently tracking sideways around 0.710, while NZD/AUD has lifted around the 0.964 mark.

As was widely expected, the Bank of Canada kept all its policy levers unchanged at its meeting overnight. Its comments were reasonably dovish, noting the Canadian economy "still has considerable excess capacity" and "medium-term inflation expectations remain well anchored," while highlighting rising COVID cases as a near-term risk. Note Canada is also in the middle of an election campaign, with Justin Trudeau set to face the electorate in just over a week's time.

Day ahead: Today's local highlight is the NZ manufacturing survey for Q2 out at 10:45 – we'll be firming up our GDP forecast for the quarter (though the economic outlook has obviously been superseded by "events, dear boy, events"). The other piece of data out during the local session is Chinese CPI and PPI data out at 1:30pm (mkt CPI: 1%/yr, mkt PPI: 9%/yr), which will be worth a watch given the impact Chinese pricing pressures have on the wider global economy as one of the factories of the world.

Overnight, the highlight is the latest ECB meeting. The Bank is likely to leave its key policy levers unchanged, but there is a risk the Bank signals a reduction in the pace of bond purchases. ECB Board member and Austrian National Bank Governor Robert Holzmann was spreading that message this week ("we may be able to normalize monetary policy sooner than most financial markets expect"), but its hard to know what to make of that given his typically Germanic, hawkish tilt. **Author:** nathaneiel.keall@asb.co.nz

Currencies			Currencies			Commodities			Equities		
NZD/USD	0.7099	0.0%	NZD/SEK	6.126	0.4%	NZX WMP	3730.0	2.1%	Dow	35028	-0.2%
NZD/AUD	0.9635	0.3%	NZD/DKK	4.467	0.3%	Gold \$/o	1788.8	-0.3%	S&P 500	4512	-0.2%
NZD/EUR	0.6007	0.3%	NZD/THB	23.3	0.2%	WTI Oil \$/b	69.3	1.4%	NASDAQ	15285	-0.6%
NZD/JPY	78.28	0.1%	AUD/USD	0.7368	-0.3%	Money Market (%)			FTSE	7096	-0.8%
NZD/GBP	0.5154	0.1%	EUR/USD	1.182	-0.2%	90 Day BB	0.52	0.00	CAC-40	6669	-0.9%
NZD/CAD	0.9008	2.4%	USD/JPY	110.3	0.0%	OCR	0.25	0.00	DAX	15610	-1.5%
NZD/CHF	0.6546	0.3%	10 Yr Bond Yields (%)			ASB Swap Rates (%)			H.Seng	26321	-0.1%
NZD/HKD	5.520	0.1%	NZ	2.02	0.01	1yr	1.04	0.00	Nikkei	30181	0.9%
NZD/SGD	0.9553	0.0%	US	1.34	-0.04	2yr	1.38	-0.01	ASX200	7512	-0.2%
NZD/CNH	4.584	0.3%	Aust	1.30	0.04	5yr	1.78	-0.02	NZX50	13193	0.0%

ASB Economics & Research			Phone	Fax
Chief Economist	Nick Tuffley	nick.tuffley@asb.co.nz	(649) 301 5659	(649) 302 0992
Senior Economist	Mark Smith	mark.smith4@asb.co.nz	(649) 301 5657	
Senior Economist	Mike Jones	mike.jones@asb.co.nz	(649) 301 5661	
Senior Economist	Jane Turner	jane.turner@asb.co.nz	(649) 301 5853	
Senior Economist, Wealth	Chris Tennent-Brown	chris.tennent-brown@asb.co.nz	(649) 301 5915	
Economist	Nat Keall	nathaniel.keall@asb.co.nz	(649) 301 5720	
Publication and Data Manager	Judith Pinto	judith.pinto@asb.co.nz	(649) 301 5660	



<https://reports.asb.co.nz/index.html>

[@ASBMarkets](https://twitter.com/ASBMarkets)

ASB Economics
ASB North Wharf, 12 Jellicoe Street, Auckland

Important Disclaimer

This document is published solely for informational purposes. It has been prepared without taking account of your objectives, financial situation, or needs. Before acting on the information in this document, you should consider the appropriateness and suitability of the information, having regard to your objectives, financial situation and needs, and, if necessary seek appropriate professional or financial advice.

We believe that the information in this document is correct and any opinions, conclusions or recommendations are reasonably held or made, based on the information available at the time of its compilation, but no representation or warranty, either expressed or implied, is made or provided as to accuracy, reliability or completeness of any statement made in this document. Any opinions, conclusions or recommendations set forth in this document are subject to change without notice and may differ or be contrary to the opinions, conclusions or recommendations expressed elsewhere by ASB Bank Limited. We are under no obligation to, and do not, update or keep current the information contained in this document. Neither ASB nor any person involved in the preparation of this document accepts any liability for any loss or damage arising out of the use of all or any part of this document.

Any valuations, projections and forecasts contained in this document are based on a number of assumptions and estimates and are subject to contingencies and uncertainties. Different assumptions and estimates could result in materially different results. ASB does not represent or warrant that any of these valuations, projections or forecasts, or any of the underlying assumptions or estimates, will be met.