

### Markets hit snooze

**It's been an uneventful start to the week in financial markets.** Most asset markets have registered little change over the past 24 hours. Equity markets are barely changed around record highs, bond yields have risen only a few bps, and the NZD/USD has continued to bob around close to 0.7000.

**There's been a little more action in commodities markets.** Brent crude prices have fallen another 2% or so overnight, meaning WTI crude is now down around 10% since the start of the month (to US\$66.80). Most of this reflects investors' perceptions of weaker oil demand as COVID once again spreads through Asia, and China introduces increased travel restrictions to manage the virus.

**Energy stocks have underperformed** as a consequence (S&P500 energy index -1.2%), but there's been relatively little fallout on the 'commodity currencies' (AUD, NZD, CAD). In fact, the CAD has been one of the overnight outperformers, along with the JPY and GBP.

**Fedspeak:** Atlanta Fed President Bostic grabbed a few headlines with his assertion that the Fed has nailed the inflation side of its mandate, with just a bit more improvement in the US labour market needed to fulfil the other side. This being the case, Bostic is looking for a fourth quarter tapering of asset purchases but also flagged this could come earlier. Bostic is a voting member of the FOMC but also a known hawk so markets largely took the comments in their stride. 10-year US Treasury yields rose a few bps to 1.32%.

**Economic data have been sparse to start the week.** US JOLTs labour market figures showed job openings rocketing to the highest level ever at the end of June (10m vs. 9.2m expected). Openings basically reflect unsatiated labour demand and hence are another confirmation of the extreme labour shortages plaguing the US labour market. Shortages seem particularly acute in sectors that are now starting to re-open like leisure and hospitality. The closely watched ratio of openings to hires also remained around the highest levels on record.

**FX comment:** Another day of consolidation for most of the majors. The NZD/USD continues to wash around 0.7000 with NZD/AUD edging a little higher to around 0.9540. As we noted last week, the big NZD/USD reversal from 0.7100 reinforces strong resistance around this level and tends to suggest NZD/USD can remain in the 0.6900-0.7100 range for now, despite the rapid approach of RBNZ rate hikes (and consequently widening in NZD interest rate differentials).

**Day ahead:** We expect a solid 1% m/m increase in this morning's July electronic card spending data. The July month saw increases in income support payments announced in Budget 2021. Much of this four-yearly \$3.3bn package will likely be converted into consumer spending.

In Australia, there's a good chance we see another fall in NAB business confidence today (1:30pm, July data) thanks to the damage wrought by the Greater Sydney lockdown. **Author:** [mike.jones@asb.co.nz](mailto:mike.jones@asb.co.nz)

Currencies			Currencies			Commodities			Equities		
NZD/USD	0.6993	-0.2%	NZD/SEK	6.089	0.3%	NZX WMP	3580.0	-0.3%	Dow	35102	-0.3%
NZD/AUD	0.9539	0.2%	NZD/DKK	4.431	0.0%	Gold \$/o	1730.2	-1.9%	S&P 500	4432	0.0%
NZD/EUR	0.5958	-0.1%	NZD/THB	23.4	0.0%	WTI Oil \$/b	66.5	-2.6%	NASDAQ	14860	0.2%
NZD/JPY	77.15	-0.2%	AUD/USD	0.7331	-0.4%	<b>Money Market (%)</b>			FTSE	7132	0.1%
NZD/GBP	0.5049	0.0%	EUR/USD	1.174	-0.2%	90 Day BB	0.65	0.01	CAC-40	6813	-0.1%
NZD/CAD	0.8795	NA	USD/JPY	110.3	0.0%	OCR	0.25	0.00	DAX	15745	-0.1%
NZD/CHF	0.6435	0.4%	<b>10 Yr Bond Yields (%)</b>			<b>ASB Swap Rates (%)</b>			H.Seng	26283	0.4%
NZD/HKD	5.442	-0.2%	NZ	1.80	0.07	1yr	1.06	0.04	Nikkei	27820	0.3%
NZD/SGD	0.9492	0.0%	US	1.32	0.03	2yr	1.27	0.02	ASX200	7538	0.0%
NZD/CNH	4.535	0.0%	Aust	1.21	0.01	5yr	1.61	0.03	NZX50	12701	0.0%

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