

Sharemarket softness continued on Friday

Data on Friday showed **August card spending plummeted as NZ entered the latest lockdown**. The community delta variant outbreak and subsequent shift to Alert Level 4 on August 17 triggered a sharp fall in non-essential retail (about two-thirds of total retail) and overall card spending. Falls were broad-based across most sectors, although given the timing of the lockdown (mid-month), falls were not as sharp in the April 2020 lockdowns. Consumable retail bucked the downward trend. Read our report [here](#).

In US economic data, the producer price index (PPI) rose by 0.7% in August to be up by a record 8.3% on the year (survey: +8.2%). The core PPI (ex-food and energy) was up 0.6% in August to be a record 6.7% higher on a year ago (survey: +6.6%). Wholesale inventories lifted 0.6% in July (survey: +0.6%).

European sharemarkets were mixed on Friday. The pan-European Stoxx 600 index fell by 0.3% to be down 1.2% on the week. The German Dax index eased by 0.1%. But the UK FTSE index rose by 0.1% despite data showing that the UK economy grew just 0.1% in July. News of a phone call between Chinese leader Xi Jinping and US President Joe Biden supported Asian-focussed stocks including miners: In London trade, shares in Rio Tinto rose by 2.0% and shares in BHP rose by 1.1%.

US sharemarkets fell again on Friday with all of the eleven S&P500 sector indexes lower, led by utilities and real estate. Shares in Apple lost 3.3% on an unfavourable court ruling. The Dow Jones index and S&P 500 index both lost 0.8% and the Nasdaq index fell 0.9%. Over the week, the Dow fell 2.2%; the S&P 500 fell 1.7%; and the Nasdaq lost 1.6%.

US longer-term Treasury prices fell on Friday (yields higher) in response to higher producer price inflation. US 10-year yields rose by 5 points on Friday to 1.34%, gaining 2 points over the week. Cleveland Federal Reserve President Loretta Mester said that she preferred a start to tapering of asset purchases this year.

The NZ sharemarket was down 0.2% on Friday and 1.7% over the week. Meanwhile NZ 10-year yields are little changed on a week ago.

FX Update: Major currencies were weaker against the US dollar in European and US trade. However, the NZD has remained buoyant, and starts the week trading above 0.7100 against the USD and closing in on 0.9700 against the AUD.

Day ahead: The ANZ business outlook survey for September is due today and will be the first full insight into the business community's reaction to the current Delta outbreak (Only a small portion of the August responses were received after the outbreak began on 17 August).

Week ahead local: Second quarter GDP data are due on Thursday. We forecast a 1.5% GDP lift in Q2, following on from a 1.6% increase in Q1. If GDP prints as expected, it will highlight the NZ economy had considerable momentum over H1 2021 prior to the August lockdown.

Week ahead offshore: The August labour force survey on Thursday is the main data release in Australia this week. We expect a massive 300k decline in employment over August, driven almost entirely by NSW. The Vic lockdowns began later, so we expect another hit to employment to show up in the September figures released next month. Surveys on consumer sentiment for September and the business sector for August are due. The monthly Chinese activity indicators are due on Wednesday. We expect the August data to be disappointing as social distancing restrictions add to downward pressure on the already slowing growth momentum. We forecast additional slowing in growth for retail sales, industrial production and fixed asset investment. Elsewhere overseas, August inflation figures are due for the US, UK and Canada (Tuesday & Wednesday). We expect price increases in the US to have eased again in August. US industrial production and retail sales for August will also print Wednesday. **Author:** chris.tennent-brown@asb.co.nz

Currencies			Currencies			Commodities			Equities		
NZD/USD	0.7116	0.1%	NZD/SEK	6.142	0.0%	NZX WMP	3750.0	0.4%	Dow	34608	-0.8%
NZD/AUD	0.9670	0.0%	NZD/DKK	4.479	0.0%	Gold \$/o	1787.6	-0.4%	S&P 500	4459	-0.8%
NZD/EUR	0.6024	0.1%	NZD/THB	23.3	0.0%	WTI Oil \$/b	69.7	2.3%	NASDAQ	15115	-0.9%
NZD/JPY	78.19	0.0%	AUD/USD	0.7359	0.1%	Money Market (%)			FTSE	7029	0.1%
NZD/GBP	0.5139	0.0%	EUR/USD	1.182	0.0%	90 Day BB	0.53	0.00	CAC-40	6664	-0.3%
NZD/CAD	0.9025	2.6%	USD/JPY	109.9	0.0%	OCR	0.25	0.00	DAX	15610	-0.1%
NZD/CHF	0.6532	0.0%	10 Yr Bond Yields (%)			ASB Swap Rates (%)			H.Seng	26206	1.9%
NZD/HKD	5.535	0.0%	NZ	1.95	-0.03	1yr	1.05	0.00	Nikkei	30382	1.2%
NZD/SGD	0.9546	0.0%	US	1.34	0.04	2yr	1.37	-0.01	ASX200	7407	0.5%
NZD/CNH	4.586	0.0%	Aust	1.23	-0.05	5yr	1.75	-0.01	NZX50	13064	0.0%

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