

## Markets begin the week on the front foot

**Equity markets have opened the week in fine fettle, with risk sentiment on the up.** All the major Wall Street indices have notched up healthy gains, with the Dow up 0.22%, S&P500 lifting 0.49% and the Nasdaq gaining 0.88%. Those gains build on a decent performance last week – some receding in ‘wall of worry’ anxiety and positive earnings data saw the Dow rise 1.1%, the S&P500 lift 1.6% and the Nasdaq grow 1.3%. The gains in the latter do mask some volatility in Tech shares though – Snap and Intel both dropped double digits over the weekend on soggy earnings data. A few other market behemoths, including Facebook, report this week.

**Treasury yields have begun the week little changed, with the 2-year circa 2bps lower and the 10-year flat.** Context is key though – those overnight moves come after broad gains in Treasury yields last week, with the 10-year and 2-year both up 6 bps. Despite those lifts, there hasn’t been a visible change in tack as of yet from the Fed, with Chair Jerome Powell’s comments over the past couple of days still sticking to the line that the Bank views higher inflation as likely to recede, albeit acknowledging the risk pressures could prove longer lasting than the Bank currently expects. Per Powell, the Fed is in no rush to hike rates, despite tapering not looking too far away.

**While Kiwis were enjoying their Labour Day Weekend, Aussie equities were wending their way to a 0.34% gain, while government bond yields flattened (10-year: 1.783%).**

**On the currency market front, the big action lately has been in emerging markets,** with the Turkish Lira continuing to take a battering over the weekend. After last week’s big rate cut, it’s been a double whammy for the currency, with President Recep Tayyip Erdoğan triggering investor anxieties after expelling a number of foreign diplomats.

**Closer to home, AUD has been the best performer in the G10 overnight, closely followed by NZD.** Accordingly, NZD/USD is up marginally from where it closed on Friday, around the 0.717 mark. Meanwhile, NZD/AUD is down slightly, currently trading around the 0.956 mark. Last week, NZD/USD gained just under a cent, while NZD/AUD was up just under half a cent.

**Data Wrap:** Mixed signals from the Chicago Fed National Activity Index and the Dallas Fed Manufacturing Activity indices. The former underperformed (-0.13 vs a surveyed 0.20), while the latter lifted in excess of expectations (14.6 vs a surveyed 6.0). Throw ‘em on the pile, in other words. Those results follow flash PMI data over the weekend that showed manufacturing easing slightly (from 60.7 to 59.2), but services expanding quite markedly (from 54.9 to 58.2). UK PMI data on Friday night bested already-healthy expectations (composite: 56.8 vs a surveyed 54), while Eurozone PMIs were broadly in line with expectations (Eurozone Composite: 54.3 vs a surveyed 55.2).

**Day ahead:** Zilch in the daylight hours. Overnight, there’s US housing data out and a few other drips and drabs from our American friends (consumer confidence, inventories and durable goods orders).

**Week ahead local:** The twin ANZBO and consumer confidence surveys are the highlights this week, though we’ve already had the preliminary results. Those preliminary results for the former showed a large and unexpected increase in own activity expectations (and weirdly higher in Auckland than outside too!). Meanwhile, we expect another subpar reading on the latter giving all the ongoing restrictions, particularly in Auckland. Over in Aussie, CPI data out tomorrow should be skewed by the Aussie lockdowns over Q3 (CBA: +0.8% qoq headline, trimmed mean +0.5% qoq). Aussie retail trade should show a small lift +0.5%, while terms of trade should lift off the back of gains in both export (+6.5%) and import prices (+3.5%).

**Week ahead international:** Central-bank-o-rama this week, with the Bank of Canada (Thursday early morning), BoJ (Thursday daylight) and ECB (Friday early morning) – we expect no major policy changes, though the Canadians will probably opt to do some further tapering. The threat of supply chain disruptions will be a source of comment for all three, though Japan and the Eurozone are two places where inflation looks unlikely to surge, to say the least. Otherwise, look out for Q3 US (CBA: +4.0%/saar) and European GDP (CBA: +1.7%/qr) readings on Friday early morning and night, respectively. Eurozone CPI also out on Friday night should show a lift (CBA: core +0.2%/mth). On the other hand, the US core Private Consumption Expenditure deflator should moderate slightly to 0.1%/mth. **Author:** [nathaniel.keall@asb.co.nz](mailto:nathaniel.keall@asb.co.nz)

Currencies			Currencies			Commodities			Equities		
NZD/USD	0.7164	0.2%	NZD/SEK	6.168	0.5%	NZX WMP	3915.0	0.9%	Dow	35725	0.1%
NZD/AUD	0.9562	-0.1%	NZD/DKK	4.590	0.5%	Gold \$/o	1806.0	0.7%	S&P 500	4566	0.5%
NZD/EUR	0.6170	0.5%	NZD/THB	23.7	-0.7%	WTI Oil \$/b	84.3	-0.4%	NASDAQ	15224	0.9%
NZD/JPY	81.45	0.3%	AUD/USD	0.7492	0.3%	<b>Money Market (%)</b>			FTSE	7223	0.3%
NZD/GBP	0.5204	0.1%	EUR/USD	1.161	-0.3%	90 Day BB	0.74	0.00	CAC-40	6713	-0.3%
NZD/CAD	0.8874	0.4%	USD/JPY	113.7	0.1%	OCR	0.50	0.00	DAX	15599	0.4%
NZD/CHF	0.6588	0.6%	<b>10 Yr Bond Yields (%)</b>			<b>ASB Swap Rates (%)</b>			H.Seng	26132	0.0%
NZD/HKD	5.572	0.3%	NZ	2.50	0.00	1yr	1.47	0.01	Nikkei	28600	-0.7%
NZD/SGD	0.9653	0.2%	US	1.64	0.01	2yr	1.99	0.00	ASX200	7441	0.3%
NZD/CNH	4.573	0.5%	Aust	1.79	-0.01	5yr	2.38	-0.01	NZX50	13093	0.0%

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