

## Waiting for the dough

Maybe investors are waiting for the Fed meeting later in the week, or maybe they're more interested in the Olympics, but either way it's been an uneventful start to the week in markets. This author's highlight of the past 24 hours was NZ's Hayden Wilde taking Bronze in one of the marquee Olympic disciplines, proving the old triathlon adage: "swim and bike for show, run for dough."

Asian equity markets made something of a stuttering start to the week. China's CSI 300 index fell 3.2% yesterday and the Hang Seng closed down 4.1%. Beijing banned education companies from making profits and US-China tensions were again on full display at a summit in China. A Chinese spokesman said the relationship was "in a stalemate and faces serious difficulties".

But as the night wore on sentiment generally recovered. US stocks have made light gains and are back trading around record highs (S&P500 +0.2%). Small falls in bond yields have been reversed and the US 10-year yield is back to near where it started the night around 1.29%.

Currency markets have showed some of the bigger moves of the night. The USD staged a broad-based fall. This partly reflects the recovery in risk sentiment sapping some USD demand, but also looks like some pre-positioning ahead of the FOMC meeting later in the week ('long' investors taking profit). The kiwi has bounced around ½ cent to 0.7000, a performance that leaves it roughly mid-pack amongst G10 currencies. The AUD, meanwhile, continues to struggle given the obvious COVID disruption to the Aussie economy, and NZD/AUD has thus drifted back up to 0.9475.

Overall, the kiwi dollar continues to track an awkward middle ground between domestic fundamentals that suggest the currency should be significantly higher, and the more immediate headwinds from the strong USD/weak AUD double-act. In the short-term we suspect the latter will continue to win out, meaning the NZD/USD will continue to face resistance on rallies into the 0.7000-0.7050 window this week.

**Data wrap:** US house sales fell 6.6% mom to a 14-month low in June (676k vs. 796k expected). This looks to be a reflection of both weaker demand and constraints around supply, particularly timber. Across the pond, the German IFO business sentiment index staged the first fall in six months in June (100.8 vs. 102.5 expected). The index remains at a very high level though.

**Day ahead:** \*Cricket\*. All quiet in NZ with only a non-market moving speech from the RBA on the slate in Australia (Deputy Governor Debelle speaks on "Outcomes of the 3-year review of the FX Global Code"). Tonight, there's just some second-tier US data (durable goods orders) to tide us over until we get to the more exciting stuff later in the week (Aussie CPI, FOMC). **Author:** [mike.jones@asb.co.nz](mailto:mike.jones@asb.co.nz)

Currencies			Currencies			Commodities			Equities		
NZD/USD	0.6998	0.4%	NZD/SEK	6.036	-0.4%	NZX WMP	3735.0	1.1%	Dow	35144	0.2%
NZD/AUD	0.9480	0.2%	NZD/DKK	4.409	0.1%	Gold \$/o	1797.5	-0.3%	S&P 500	4420	0.1%
NZD/EUR	0.5928	0.1%	NZD/THB	23.0	0.2%	WTI Oil \$/b	71.9	-0.5%	NASDAQ	14841	0.0%
NZD/JPY	77.25	0.2%	AUD/USD	0.7382	0.2%	<b>Money Market (%)</b>			FTSE	7025	0.0%
NZD/GBP	0.5064	-0.1%	EUR/USD	1.181	0.3%	90 Day BB	0.45	-0.01	CAC-40	6579	0.1%
NZD/CAD	0.8779	#VALUE!	USD/JPY	110.4	-0.1%	OCR	0.25	0.00	DAX	15619	-0.3%
NZD/CHF	0.6408	-0.1%	<b>10 Yr Bond Yields (%)</b>			<b>ASB Swap Rates (%)</b>			H.Seng	26192	-4.1%
NZD/HKD	5.443	0.4%	NZ	1.63	-0.02	1yr	0.82	-0.01	Nikkei	27833	1.0%
NZD/SGD	0.9504	0.2%	US	1.29	0.02	2yr	1.06	0.01	ASX200	7394	0.0%
NZD/CNH	4.537	0.1%	Aust	1.19	-0.02	5yr	1.45	0.01	NZX50	12673	-0.5%

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