

Lockdown extension belies a quiet opener to the week

It's been a typically quiet start to the week, with little in the way of major data or headlines to kick things off outside of the usual delta outbreak update. The PM's 4pm press confab yesterday confirmed that Auckland will remain at Alert Level 4, but given the news was widely signposted, it's not a particularly surprising development. The rest of the country is set to shift down to Alert Level 3 at 11.59pm tonight, with Northland potentially to follow at the same time on September 2nd.

Local markets were accordingly muted. There was little movement in the OIS curve over the day, with the market still pricing circa 46 bps of OCR hikes by year end (roughly in line with our own view). Moves in government bond yields were similarly modest, slightly lower in the front end but higher in the back. It was a decent day for NZ equities though – up 0.92% over the session. Weirdly, the NZX50 has lifted circa 4.7% since the latest lockdown was announced.

The day's only point of data came from our Aussie friends, with a bit of business indicator data from the ABS. Company operating profits lifted 7.1% over the June quarter, while wages and salaries lifted 2.0%. Its probably a case of 'throw 'em on the pile' for both figures, given the fast-moving COVID picture across the Tasman.

There hasn't been all that much in the way of major headlines overnight either, though markets have traded with a mild risk-on skew, with equities and commodity prices making some modest gains. Interestingly, the NZD hasn't been a beneficiary like it usually would – the kiwi is lower against all of its G10 peers.

In the equity market, tech shares have led the gains. As at the time of writing, the tech-heavy Nasdaq is up 1.03%, followed by the S&P500 which has continued its winning streak with a 0.60% gain. By contrast, the Dow is broadly unchanged at -0.04%. Shares are mostly higher in Europe too. Gains for tech shares have come despite the signals overnight that China is expanding its crackdown on tech companies, this time tightening limits on the amount of time gaming each week. Instead, the bigger factor is probably Powell soothing fears of swift rate hikes in the near future at the end of last week in Jackson Hole.

In the aftermath of those comments, Treasury yields have continued to edge down overnight. As at the time of writing the 10-year yield sits around 1.282%. Yields are also lower across the board in Europe, following comments from the ECB's Villeroy de Galhau yesterday that were pretty sanguine about the inflation outlook.

FX comment: NZD was broadly weaker overnight, losing ground against the rest of the G10, with the exception of the Swiss Franc (by far the night's weakest performer) and the Aussie. NZD/USD is sitting just north of the 0.7000 mark after trading in a very tight range. NZD/AUD sits just shy of the 0.9600 mark.

Day ahead: Besides the daily case number data, today's local highlight is the ANZ business outlook survey out at 1pm. There's a good chance ANZ received the majority of its responses to the survey data *prior* to the discovery of the Delta strain in the community and the swift move to COVID Alert Level 4. The upshot is that insights from the survey may be limited, but we'll keep an eye on the specifics.

Elsewhere, there's a glut of data out in Aussie at 10.30 and then 1.30pm, though it's all fairly second tier: weekly consumer confidence, current account balance, building approvals and private sector credit data. Chinese PMI data is likely to show a bit of deceleration, but with both services and manufacturing indices still in positive territory. After the local market closes, the highlight will arguably be August EU CPI data, expected to lift after the soft July read but remain muted at +0.2%. There are a range of US data out too, led by CoreLogic house price indices, PMI data and consumer confidence readings. There's no fortnightly dairy auction in the wee hours given there have already been two this month, so agri- economists will be allowed to get out of bed at a more reasonable hour.

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Currencies			Commodities			Equities					
NZD/USD	0.7001	0.0%	NZD/SEK	6.038	-0.2%	NZX WMP	3550.0	0.3%	Dow	35415	-0.1%
NZD/AUD	0.9596	0.2%	NZD/DKK	4.412	0.0%	Gold \$/o	1810.7	-0.4%	S&P 500	4533	0.5%
NZD/EUR	0.5933	0.0%	NZD/THB	22.7	-0.3%	WTI Oil \$/b	69.3	0.8%	NASDAQ	15276	1.0%
NZD/JPY	76.93	0.1%	AUD/USD	0.7296	-0.1%	Money Market (%)			FTSE	7148	0.3%
NZD/GBP	0.5087	0.0%	EUR/USD	1.180	0.0%	90 Day BB	0.46	0.01	CAC-40	6687	0.1%
NZD/CAD	0.8829	-0.1%	USD/JPY	109.9	0.0%	OCR	0.25	0.00	DAX	15887	0.2%
NZD/CHF	0.6419	0.2%	10 Yr Bond Yields (%)			ASB Swap Rates (%)			H.Seng	25540	0.5%
NZD/HKD	5.453	-	NZ	1.83	0.01	1yr	0.97	0.01	Nikkei	27789	0.5%
NZD/SGD	0.9414	-0.1%	US	1.28	-0.03	2yr	1.29	0.01	ASX200	7505	0.2%
NZD/CNH	4.526	0.0%	Aust	1.16	-0.03	5yr	1.65	0.01	NZX50	13181	0.0%

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