Market Alert

Friday 21 August 2026

CURRENCIES	Spot	6mths
NZD/USD	0.5943	0.0026
NZD/AUD	0.8356	0.0062
NZD/JPY	94.575	-0.93
NZD/EUR	0.5090	-0.0013
NZD/GBP	0.4361	0.0020
NZD/CNH	3.9966	-0.0359
AUD/USD	0.7111	-0.0022
AUD/EUR	0.6090	-0.0061
EUR/USD	1.1675	0.0079
USD/CNH	6.7258	-0.0882
GBP/USD	1.3626	-0.0006
EUR/GBP	0.8566	0.0060

INT RATES	NZ	Australia
OCR/Cash	2.50%	4.35%
90 day bills	2.99%	4.55%
2 year swap	3.58%	4.56%
10 year Govt	4.76%	5.11%

The *"unprecedented"* economic war

President Donald Trump launched a sweeping package of *"unprecedented"* economic measures vowing to penalise Iran's trading partners and choke Iran from international banking, shipping registries, cash transfers, and commercial networks. Washington will continue to maintain its naval blockade of Iranian ports as it attempts to force a renegotiation of Iran's nuclear programme and control of the Strait of Hormuz.

Global oil markets reacted sharply to the news gaining 2.0% with Brent at USD93.50 a barrel, while crude jumped to USD86.50, its highest level since late July, despite other Gulf producers continue to ship oil through the gridlocked waterway despite heightened security risks.

As someone said, the Treasury's buyback is just a "*Band-aid on a bullet hole*" after long dated Treasury yields completely unwound yesterday's falls triggered by Treasury Secretary Scott Bessent's expanded bond buyback program. The 10-year Treasury yield rebounded to 4.70% (just 5bps shy of its 20-month high), while the 30-year bond climbed to 5.25%, signalling that investors view the liquidity intervention as a short-lived remedy. Despite this, Bessent, who is emerging as the most interventionist Treasury chief in decades, stated, "*Part of it is signalling. We want to show that yields do not reflect underlying fundamentals. We will see what the conditions are in the bond market and whether more action will be needed.*" Interestingly, the Treasury's overnight USD9.0bn auction of 30-year TIPS attracted exceptionally strong participation from foreign investors.

The USD-index continues to hover near its 3-month low, which supported the NZD and AUD. Equities weakened broadly trading 0.5%-1.0% lower.

Breaking the releases down ...

- US initial jobless claims dipped by 6k to 206k, keeping claims near July's historic low. However, continuing claims ticked up by 18k to 1,799k.
- In Australia the labour market suffered an unexpected setback as employment fell by 15.8k roles in July against expectations for a modest rise. The 32.1k drop in part-time work was offset by a 16.3k gain in full-time jobs. The unemployment rate rose to 4.5%, its highest level since late 2021.
- The PBOC held its benchmark lending rates steady, leaving the 1-year LPR at 3.00% and the 5-year at 3.50%.
- Japan's July trade figures heavily outpaced expectations. Exports climbed 23.2%. predominately driven by a 49.1% surge in semiconductor equipment. Imports jumped 27.8%, driven by an 87.8% surge in petroleum import values, widening the trade deficit to JPY634.5 bn.

Fed Credibility Under Fire?

According to the WSJ, 4 Democratic senators sent an official letter to Fed Chairman Kevin Warsh demanding public disclosure of his communications with President Trump. The letter follows reports that the two have spoken repeatedly, despite Warsh's public calendar showing no such calls, stoking fears of White House interference on US monetary policy.

Speaking of the Fed, overnight we saw a hawkish - dovish split with St. Louis Fed member Alberto Musalem maintained his hawkish stance warning, "*Monetary policy is neutral or accommodative right now. Given current Fed rates, I see a lower probability of getting inflation to 2.0%. Hiking rates now could save more aggressive action later. A Super El Nino might be next supply shock. When you have supply shocks, you have to look at core inflation*". Meanwhile, San Fran President Mary Daly struck a more dovish tone insisting, "*The rise in long term yields is a global issue, not a signal for the Fed. I don't see Fed credibility at risk. I was very supportive of Fed's July interest rate hold*".

Daily Rates

Friday 21 August 2026

FX	Spot Mid	1mth	3mths	6mths	12mths
		FECs (mid)			
NZ TWI	67.20				
NZD/USD	0.5943	0.0005	0.0014	0.0026	0.0042
NZD/AUD	0.8356	0.0011	0.0032	0.0062	0.0106
NZD/JPY	94.575	-0.16	-0.45	-0.9329	-1.90
NZD/EUR	0.5090	-0.0002	-0.0006	-0.0013	-0.0031
NZD/GBP	0.4361	0.0003	0.0010	0.0020	0.0037
AU TWI	65.70				
AUD/USD	0.7111	-0.0004	-0.0011	-0.0022	-0.0041
AUD/NZD	1.1963	-0.0017	-0.0049	-0.0092	-0.0165
AUD/JPY	112.83	-0.34	-0.98	-1.96	-3.69
AUD/EUR	0.6090	-0.0011	-0.0031	-0.0061	-0.0116
AUD/GBP	0.5218	-0.0003	-0.0008	-0.0015	-0.0024
USD Index	98.88				
EUR/USD	1.1675	0.0014	0.0040	0.0079	0.0152
USD/JPY	159.14	-0.39	-1.13	-2.26	-4.31
GBP/USD	1.3626	-0.0001	-0.0001	-0.0006	-0.0023
EUR/GBP	0.8566	0.0010	0.0029	0.0060	0.0123
USD/CNY	6.7225	-0.0150	-0.0442	-0.0883	-0.1781

	Spot Mid NZD/...	Spot Mid AUD/...
CAD	0.8194	0.9807
CHF	0.4756	0.5694
CNY	3.9947	4.7808
DKK	3.8036	4.5527
FJD	1.2912	1.5455
HKD	4.6593	5.5769
KRW	827.97	991.02
MYR	2.4002	2.8728
NOK	5.5538	6.6475
SEK	5.6372	6.7474
SGD	0.7558	0.9046
TWD	18.94	22.66
ZAR	9.58	11.47

INTEREST RATES	New Zealand Mid	Australia Mid
30 day bank bills	2.83%	4.36%
90 day bank bills	2.99%	4.55%
1 year swap	3.36%	4.59%
2 year swap	3.58%	4.56%
3 year swap	3.72%	4.55%
5 year swap	3.95%	4.58%
10 year swap	4.36%	4.88%
3 year Govt bond	3.86%	4.58%
5 year Govt bond	4.20%	4.69%
10 year Govt bond	4.76%	5.11%

EQUITIES	Index
NZX50	13,920
ASX200	9,084
Dow Jones	52,759
S&P 500	7,641
FTSE100	10,748
DAX 40	25,983
Nikkei	66,217

COMMODITIES	USD
Brent Crude	93.43
Gold	4,519.92
Silver	68.12
Iron Ore	95.17
CRB Index	517.71

	NZD
NZ Carbon	52.75

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