

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 hovered 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 3.0% and the 5-year at 3.5%.
- 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".



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Daily Rates

Friday 21 August 2026

FX	Spot	FECs (mid)				Spot Mid	
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...
NZ TWI	67.20					CAD	0.8194 0.9807
NZD/USD	0.5943	0.0005	0.0014	0.0026	0.0042	CHF	0.4756 0.5694
NZD/AUD	0.8356	0.0011	0.0032	0.0062	0.0106	CNY	3.9947 4.7808
NZD/JPY	94.575	-0.16	-0.45	-0.9329	-1.90	DKK	3.8036 4.5527
NZD/EUR	0.5090	-0.0002	-0.0006	-0.0013	-0.0031	FJD	1.2912 1.5455
NZD/GBP	0.4361	0.0003	0.0010	0.0020	0.0037	HKD	4.6593 5.5769
						KRW	827.97 991.02
AU TWI	65.70					MYR	2.4002 2.8728
AUD/USD	0.7111	-0.0004	-0.0011	-0.0022	-0.0041	NOK	5.5538 6.6475
AUD/NZD	1.1963	-0.0017	-0.0049	-0.0092	-0.0165	SEK	5.6372 6.7474
AUD/JPY	112.83	-0.34	-0.98	-1.96	-3.69	SGD	0.7558 0.9046
AUD/EUR	0.6090	-0.0011	-0.0031	-0.0061	-0.0116	TWD	18.94 22.66
AUD/GBP	0.5218	-0.0003	-0.0008	-0.0015	-0.0024	ZAR	9.58 11.47
USD Index	98.88					EQUITIES	
EUR/USD	1.1675	0.0014	0.0040	0.0079	0.0152		Index
USD/JPY	159.14	-0.39	-1.13	-2.26	-4.31	NZX50	13,920
GBP/USD	1.3626	-0.0001	-0.0001	-0.0006	-0.0023	ASX200	9,084
EUR/GBP	0.8566	0.0010	0.0029	0.0060	0.0123	Dow Jones	52,759
USD/CNY	6.7225	-0.0150	-0.0442	-0.0883	-0.1781	S&P 500	7,641
						FTSE100	10,748
						DAX 40	25,983
						Nikkei	66,217
INTEREST		New Zealand		Australia		COMMODITIES	
RATES		Mid		Mid			USD
30 day bank bills		2.83%		4.36%		Brent Crude	93.43
90 day bank bills		2.99%		4.55%		Gold	4,519.92
1 year swap		3.36%		4.59%		Silver	68.12
2 year swap		3.58%		4.56%		Iron Ore	95.17
3 year swap		3.72%		4.55%		CRB Index	517.71
5 year swap		3.95%		4.58%			NZD
10 year swap		4.36%		4.88%		NZ Carbon	52.75
3 year Govt bond		3.86%		4.58%			
5 year Govt bond		4.20%		4.69%			
10 year Govt bond		4.76%		5.11%			

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