

Market Alert

Wednesday 15 January 2025

CURRENCIES	Spot	6mths
NZD/USD	0.5595	0.0019
NZD/AUD	0.9045	0.0023
NZD/JPY	88.405	-1.52
NZD/EUR	0.5433	-0.0031
NZD/GBP	0.4585	0.0020
NZD/CNH	4.1100	-0.0212
AUD/USD	0.6184	0.0004
AUD/EUR	0.6005	-0.0050
EUR/USD	1.0297	0.0092
USD/CNH	7.3454	-0.0623
GBP/USD	1.2199	-0.0014
EUR/GBP	0.8439	0.0085

INT RATES	NZ	Australia
OCR/Cash	4.25%	4.35%
90 day bills	4.11%	4.39%
2 year swap	3.53%	3.99%
10 year Govt	4.81%	4.72%

Don't bite the hand that feeds!

It's not all that surprising, but Elon Musk, Mark Zuckerberg and Jeff Bezos have all committed to attending Monday's inauguration ceremony for President-elect Donald Trump, and all will have prominent places at the event! Surprisingly, UK PM Keir Starmer has not been invited, which is the first time this has happened in a very long time, although Reform leader Nigel Farage has been invited!

And talking of the President-Elect

... Donald Trump's incoming economic team are considering a gradual implementation of tariffs, increasing them incrementally by 2.0%-5.0% each month using executive powers granted under the International Emergency Economic Powers Act. This approach is intended to strengthen their negotiating

position while minimizing the risk of a sudden spike in inflation.

US producer prices rose less than expected at 0.2% in December, which was slightly below market expectations at 0.3%, although, on an annual basis PPI inflation accelerated to 3.3% from the previous 3.0%. Core PPI was unchanged from the prior month and remained at 3.5% on the year. The US small business optimism index soared to 105.1, ahead of forecasts at 100.8. It is also the second consecutive month the reading stayed above the 51-year average of 98.0.

Fed member Jeffrey Schmid announced, *"Interest rate policy may be 'near' where it needs to be for the longer run. The Fed is 'pretty close' to meeting both its mandates ... inflation moving towards its target, growth is showing some momentum, and while the jobs market is weaker, it is still healthy. Regarding tariffs, the Fed will act if there is disruption to either of its mandates. There will be significant time lags in the impact of new administration policies."*

A Reuters poll showed that 24 out of 36 bond strategists forecast the 10-year yield will surpass the 5.0% level in 2025, but there was a positive, as most see the yield falling to 4.35% come this time next year.

With the UK 10-year gilt yield at 4.90%, Chancellor Rachel Reeves confirmed the Government remains committed to its fiscal rules at all times and re-affirmed its commitment to its self-imposed fiscal rules, which may require spending cuts soon. She also acknowledged the need for a more detailed and urgent growth plan.

BoJ Deputy Governor, Ryozi Himino,

raised the possibility of a rate hike next week, announcing it would *"not be normal"* for real interest rates to remain negative once Japan had overcome shocks and factors that caused deflation.

Australian consumer confidence fell 92.8 to 92.1 in January.

According to the NZIER's Q4 QSBO report, business confidence firmed to 16.0% from Q3's -1.0%, while a net 9.0% of firms expect an improvement in general economic conditions, up from a net -4.0%. Despite this, weak demand persists, with a net 26.0% of firms reporting a decline in trading activity. A net 17.0% of firms reduced staff numbers in Q4. Fewer firms, 35.0%, reported higher costs although only 10.0% raised prices, signaling softer inflation pressures. Weak demand continues to reduce capacity constraints and inflationary pressures.

The Trump impact.

Rumours of a slower roll-out of the Trumps tariffs saw the USD-index give up some of Friday's gains, although it wasn't enough to change sentiment given the NZD/USD failed to hold above 0.5600, the AUD/USD failed to break through 0.6200, EUR/USD remains below 1.0300, and USD/JPY is lacking upside momentum at the 158.00 level.

10-year government bond yields are all 2bps-3bps higher, with the 10-year treasury at 4.80%, while the 2-year treasury yield is 2bps lower at 4.38% highlighting a steeper yield curve.

Equity markets are higher, in the region of 0.25%-0.75%, while commodity prices were mixed with oil -1.35% lower.



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Daily Rates

Wednesday 15 January 2025

FX	Spot	FECs (mid)				Spot Mid	
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...
NZ TWI	67.70					CAD	0.8036 0.8885
NZD/USD	0.5595	0.0001	0.0006	0.0019	0.0047	CHF	0.5109 0.5649
NZD/AUD	0.9045	0.0001	0.0008	0.0023	0.0051	CNY	4.1010 4.5336
NZD/JPY	88.405	-0.33	-0.82	-1.52	-2.80	DKK	4.0534 4.4809
NZD/EUR	0.5433	-0.0007	-0.0016	-0.0031	-0.0064	FJD	1.2836 1.4190
NZD/GBP	0.4585	0.0002	0.0008	0.0020	0.0047	HKD	4.3560 4.8155
						KRW	816.63 902.76
AU TWI	59.80					MYR	2.5173 2.7828
AUD/USD	0.6184	0.0000	0.0001	0.0004	0.0011	NOK	6.3720 7.0440
AUD/NZD	1.1055	-0.0002	-0.0011	-0.0030	-0.0074	SEK	6.2557 6.9154
AUD/JPY	97.73	-0.38	-1.00	-1.93	-3.71	SGD	0.7649 0.8452
AUD/EUR	0.6005	-0.0008	-0.0024	-0.0050	-0.0107	TWD	18.45 20.39
AUD/GBP	0.5067	0.0001	0.0004	0.0009	0.0019	ZAR	10.59 11.71
USD Index	109.35					EQUITIES	
EUR/USD	1.0297	0.0014	0.0043	0.0092	0.0203		Index
USD/JPY	158.01	-0.61	-1.65	-3.24	-6.27	NZX50	12,884
GBP/USD	1.2199	-0.0003	-0.0007	-0.0014	-0.0027	ASX200	8,231
EUR/GBP	0.8439	0.0014	0.0039	0.0085	0.0183	Dow Jones	42,419
USD/CNY	7.3311	-0.0166	-0.0499	-0.1063	-0.2308	S&P 500	5,835
						FTSE100	8,202
INTEREST		New Zealand		Australia		DAX 30	20,271
RATES		Mid		Mid		Nikkei	38,474
30 day bank bills		4.37%		4.37%		COMMODITIES	
90 day bank bills		4.11%		4.39%			USD
1 year swap		3.64%		4.10%		Brent Crude	80.17
2 year swap		3.58%		4.00%		Gold	2,670.09
3 year swap		3.62%		4.03%		Silver	29.82
5 year swap		3.80%		4.32%		Iron Ore	98.72
10 year swap		4.22%		4.64%		CRB Index	372.16
3 year Govt bond		3.87%		4.06%			NZD
5 year Govt bond		4.17%		4.24%		NZ Carbon	64.10
10 year Govt bond		4.81%		4.72%			

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