

# Market Alert

Thursday 16 January 2025

CURRENCIES	Spot	6mths
NZD/USD	0.5612	0.0019
NZD/AUD	0.9022	0.0021
NZD/JPY	87.850	-1.50
NZD/EUR	0.5455	-0.0032
NZD/GBP	0.4593	0.0018
NZD/CNH	4.1239	-0.0211
AUD/USD	0.6219	0.0005
AUD/EUR	0.6045	-0.0050
EUR/USD	1.0287	0.0094
USD/CNH	7.3485	-0.0622
GBP/USD	1.2218	-0.0010
EUR/GBP	0.8417	0.0083

  

INT RATES	NZ	Australia
OCR/Cash	4.25%	4.35%
90 day bills	4.12%	4.41%
2 year swap	3.56%	3.90%
10 year Govt	4.89%	4.74%

## The great news is that ...

... Israel and Hamas have agreed a ceasefire, although it appears President-elect Trump is taking the credit stating, *"We have a deal for hostages in the Middle East. They will be released shortly."* Meanwhile, Canada is warning of 'tit-for-tat' tariffs on US products should Trump imposes levies ... I suspect we should anticipate another 4-years of this!

## After four consecutive monthly 0.3% prints ...

... the US December core (ex- food and energy) inflation number printed at 0.2% on the month and at 3.2% on the year. Both were 0.1% lower than expected. The headline numbers printed at 0.4% and 2.9%, which was in line with expectations. The other US headlines saw the NY Empire State manufacturing

index return to contractionary territory tumbling from 2.1 to -12.6 in January while, internationally, German GDP improved slightly from -0.3% to -0.2% with UK inflation unexpectedly edging lower from 2.6% to 2.5%.

In Japan, the Reuters Tankan survey saw manufacturers' sentiment improve from -1 to 2 in January, while the non-manufacturing index firmed from 30 to 31. The BoJ will view the improvement in business confidence positively, which could be the justification for a rate hike next week.

The slightly-better-than-expected US inflation print saw some of the cream taken off treasury yields with the 2 and 10-years falling 11bps and 13bps to 4.28% and 4.65%, and while the USD-index also plunged to the 108.60 immediately after the release, it unfortunately recovered to be back above the 109.00 level. This weakness saw the AUD make a decent enough gain, although the NZD gains were more subdued. Equities liked the print, with the US exchanges locking in gains in the region of 1.8% to 2.5%, while commodities also rallied strongly with oil gaining another 3.0% to add to the likelihood of imported inflation into NZ.

## All the chit chat!

NY Fed member, John Williams, confirmed, *"Monetary policy is data-dependent in highly uncertain environments ... and the Government policy outlook is the main source of the uncertainty! I expect growth to moderate to 2.0% this year, unemployment to hold between 4.00%-*

*4.25%, and inflation to move to 2.0% over the coming years."*

Chicago Fed President and perma-dove Austin Goolsby announced, *"For the last 6-months PCE inflation has run close to our 2.0% target and I'm optimistic for a soft landing in 2025, although a lot of uncertainties remain. The CPI report is somewhat encouraging, and somewhat discouraging, in equal measure."*

Thomas Barkin of the Richmond Fed added, *"While inflation is coming down towards the 2.0% target, I can see paths where inflation is sticky or continues to progress towards target. Long term rates right now are consistent with early 2000s, which was not a restrictive time for business. Regarding incoming Trump administration's policies, the direction of travel may be clear on things like tariffs, but the details are not."*

Minneapolis Fed main man Neel Kashkari suggested, *"Tariffs themselves don't cause inflation, but tit-for-tat retaliations are more complicated."* I'm not so sure about the thinking behind that one!

ECB Chief Economist, Phillip Lane, confirmed, *"Eurozone growth expected to be at 1.1% in 2024, although I expect a firmer economic recovery in 2025. It takes time for monetary easing to impact and take effect. I expect strong employment and wage growth will support consumption."*

One of the top European banks is forecasting EUR/USD to fall to 1.0000 in March but then rally to 1.0600 by year-end, while a Reuters' poll of 65 economists foresees a BoE rate cut in February with 100bps of cuts in 2025.



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# Daily Rates

Thursday 16 January 2025

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	67.70					CAD	0.8042	0.8917
NZD/USD	0.5612	0.0001	0.0007	0.0019	0.0045	CHF	0.5122	0.5680
NZD/AUD	0.9022	0.0001	0.0008	0.0021	0.0056	CNY	4.1124	4.5596
NZD/JPY	87.850	-0.31	-0.81	-1.50	-2.80	DKK	4.0682	4.5098
NZD/EUR	0.5455	-0.0006	-0.0016	-0.0032	-0.0065	FJD	1.2843	1.4238
NZD/GBP	0.4593	0.0002	0.0007	0.0018	0.0042	HKD	4.3690	4.8432
						KRW	816.21	904.81
AU TWI	59.90					MYR	2.5228	2.7967
AUD/USD	0.6219	0.0000	0.0002	0.0005	0.0013	NOK	6.3536	7.0433
AUD/NZD	1.1082	-0.0002	-0.0011	-0.0029	-0.0067	SEK	6.2553	6.9344
AUD/JPY	97.36	-0.36	-0.98	-1.92	-3.65	SGD	0.7671	0.8504
AUD/EUR	0.6045	-0.0008	-0.0024	-0.0050	-0.0107	TWD	18.48	20.49
AUD/GBP	0.5090	0.0001	0.0004	0.0008	0.0017	ZAR	10.54	11.68
USD Index	109.18					<b>EQUITIES</b>		
EUR/USD	1.0287	0.0014	0.0043	0.0094	0.0204		<b>Index</b>	
USD/JPY	156.54	-0.59	-1.63	-3.19	-6.18	NZX50	12,944	
GBP/USD	1.2218	-0.0003	-0.0006	-0.0010	-0.0017	ASX200	8,213	
EUR/GBP	0.8417	0.0013	0.0039	0.0083	0.0178	Dow Jones	43,168	
USD/CNY	7.3304	-0.0161	-0.0491	-0.1048	-0.2312	S&P 500	5,937	
						FTSE100	8,301	
<b>INTEREST</b>		<b>New Zealand</b>		<b>Australia</b>		DAX 30	20,575	
<b>RATES</b>		Mid		Mid		Nikkei	38,445	
30 day bank bills		4.37%		4.37%		<b>COMMODITIES</b>		
90 day bank bills		4.12%		4.41%			<b>USD</b>	
1 year swap		3.68%		4.04%		Brent Crude	81.78	
2 year swap		3.60%		3.91%		Gold	2,693.29	
3 year swap		3.65%		3.92%		Silver	30.65	
5 year swap		3.84%		4.21%		Iron Ore	99.99	
10 year swap		4.24%		4.53%		CRB Index	370.17	
3 year Govt bond		3.93%		4.08%			<b>NZD</b>	
5 year Govt bond		4.26%		4.26%		NZ Carbon	63.90	
10 year Govt bond		4.89%		4.74%				

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