

Market Alert

Friday 17 January 2025

CURRENCIES	Spot	6mths
NZD/USD	0.5613	0.0019
NZD/AUD	0.9030	0.0023
NZD/JPY	87.150	-1.47
NZD/EUR	0.5446	-0.0032
NZD/GBP	0.4586	0.0019
NZD/CNH	4.1240	-0.0214
AUD/USD	0.6215	0.0005
AUD/EUR	0.6029	-0.0051
EUR/USD	1.0307	0.0093
USD/CNH	7.3472	-0.0624
GBP/USD	1.2238	-0.0011
EUR/GBP	0.8418	0.0083

INT RATES	NZ	Australia
OCR/Cash	4.25%	4.35%
90 day bills	4.08%	4.39%
2 year swap	3.58%	3.91%
10 year Govt	4.79%	4.60%

Keeping it real ahead of the weekend!

While there was a lot of data and news out overnight, financial markets were relatively quiet. Yields continued their recent trend lower with the US 2 and 10-years easing -4bps and -5bps to 4.25% and 4.61%, respectively, which will weigh on NZ swap rates, although the move didn't weigh too heavily on the USD-index which only eased back -0.1%. Somewhat confusingly, while the USD was lower, so was the NZD, AUD and the GBP, although the moves were modest. The biggest move was in USD/JPY, which fell to the 155.35 level after BoJ Governor Kazuo Ueda opened the door for a rate hike next week, announcing, "There was a lot of positive talk on the wage outlook. Based on that, we will discuss whether to raise interest rates at next week's policy meeting, and we would like to

reach a decision."

Equity markets were mixed, with the US bourses lower while the European markets closed higher. Commodity markets were mixed with oil prices -2.0% lower.

The slightly US-centric update!

US retail sales fell to their lowest level in 4 months, increasing by 0.4% in December, yet, conversely, core retail sales, which are used to calculate GDP, increased 0.7% to reach its highest level in 3 months. In other headlines, the Philadelphia Fed's manufacturing index surged to 44.3 in January from December's revised -10.9, initial claims increased by 14k on the week to 217k, while the Atlanta Fed's GDP forecast for Q4 GDP growth was revised up to 3.0% from 2.7%.

The minutes from the ECB's December meeting highlighted a robust debate over the size of the rate cut (25bps vs. 50bps), a relatively optimistic outlook for growth and inflation, and the decision to temporarily disregard any potential impact of the US elections on the eurozone economy. Another 25bp rate cut at the upcoming meeting looks likely.

The Bank of Korea surprised markets yesterday, leaving their cash rate unchanged at 3.0% against expectations of a 25bps cut. Interestingly, the central bank highlighted, "The USD/KRW exchange rate has risen considerably," adding, "The weakening of the won could add to price pressures." Could we see similar concerns about imported inflation from the RBNZ at next month's meeting?

The latest Australian jobs report appeared to show another stellar result, with 56.3k jobs added ... but underneath the gloss and glitter there was weakness, with -23.7 full-time jobs disappearing, while part-time workers surged by 80k. The unemployment rate firmed from 3.9% to 4.0% while the participation rate firmed a touch, from 67.0 to 67.1.

Annual NZ food inflation rose from 1.3% to 1.5% in December.

So ... now we know what to expect for the next 4 years!

US Treasury Secretary nominee Scott Bessent is speaking to the US Senate confirmation panel. While it appears to be an opportunity for politicians to score some political points, Mr. Bessent announced, "We don't have a revenue problem in the US we have a spending problem. (The new administration) will revive the American economy through pro-growth regulatory policies, reducing taxes, and unleashing American energy. If the Trump 2017 tax cuts are not renewed, the US will face economic calamity. Inflation will be closer to Fed's 2.0% target than we have been in the past few years. The Federal Reserve should remain independent. I see no reason for a Central Bank digital currency. The US should increase sanctions on Russian oil companies."

Finally, Fed Governor Christopher Waller suggested, "As long as the data comes in good on inflation or continues on that path, then I can certainly see rate cuts happening sooner than maybe the markets are pricing in."



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Daily Rates

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FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	67.80					CAD	0.8073	0.8942
NZD/USD	0.5613	0.0001	0.0007	0.0019	0.0044	CHF	0.5108	0.5660
NZD/AUD	0.9030	0.0001	0.0008	0.0023	0.0050	CNY	4.1138	4.5566
NZD/JPY	87.150	-0.30	-0.80	-1.47	-2.72	DKK	4.0609	4.4984
NZD/EUR	0.5446	-0.0006	-0.0016	-0.0032	-0.0065	FJD	1.2843	1.4225
NZD/GBP	0.4586	0.0002	0.0008	0.0019	0.0041	HKD	4.3698	4.8402
						KRW	817.34	905.33
AU TWI	59.90					MYR	2.5250	2.7968
AUD/USD	0.6215	0.0000	0.0002	0.0005	0.0011	NOK	6.3673	7.0527
AUD/NZD	1.1072	-0.0002	-0.0012	-0.0031	-0.0068	SEK	6.2514	6.9243
AUD/JPY	96.48	-0.35	-0.98	-1.88	-3.55	SGD	0.7665	0.8490
AUD/EUR	0.6029	-0.0008	-0.0024	-0.0051	-0.0106	TWD	18.46	20.45
AUD/GBP	0.5077	0.0001	0.0004	0.0008	0.0015	ZAR	10.55	11.69
USD Index	108.96					EQUITIES		
EUR/USD	1.0307	0.0013	0.0043	0.0093	0.0202		Index	
USD/JPY	155.24	-0.56	-1.60	-3.14	-6.00	NZX50	13,001	
GBP/USD	1.2238	-0.0003	-0.0006	-0.0011	-0.0018	ASX200	8,327	
EUR/GBP	0.8418	0.0013	0.0039	0.0083	0.0175	Dow Jones	43,146	
USD/CNY	7.3316	-0.0155	-0.0489	-0.1040	-0.2274	S&P 500	5,937	
						FTSE100	8,392	
						DAX 30	20,655	
						Nikkei	38,573	
INTEREST RATES		New Zealand		Australia		COMMODITIES		
		Mid		Mid			USD	
30 day bank bills		4.36%		4.37%		Brent Crude	80.99	
90 day bank bills		4.08%		4.39%		Gold	2,715.38	
1 year swap		3.65%		4.04%		Silver	30.80	
2 year swap		3.62%		3.92%		Iron Ore	100.20	
3 year swap		3.67%		3.91%		CRB Index	376.04	
5 year swap		3.84%		4.19%			NZD	
10 year swap		4.23%		4.49%		NZ Carbon	64.05	
3 year Govt bond		3.88%		3.97%				
5 year Govt bond		4.19%		4.13%				
10 year Govt bond		4.79%		4.60%				

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