

Market Alert

Thursday 23 January 2025

CURRENCIES	Spot	6mths
NZD/USD	0.5670	0.0020
NZD/AUD	0.9029	0.0023
NZD/JPY	88.765	-1.48
NZD/EUR	0.5442	-0.0032
NZD/GBP	0.4600	0.0019
NZD/CNH	4.1274	-0.0300
AUD/USD	0.6278	0.0005
AUD/EUR	0.6025	-0.0051
EUR/USD	1.0419	0.0097
USD/CNH	7.2790	-0.0758
GBP/USD	1.2323	-0.0008
EUR/GBP	0.8452	0.0083

INT RATES	NZ	Australia
OCR/Cash	4.25%	4.35%
90 day bills	4.08%	4.38%
2 year swap	3.53%	3.91%
10 year Govt	4.69%	4.55%

Summing it all up ...

... I was pretty bad at football overnight. To be fair, I probably shouldn't have had that big bowl of risotto before kick-off! But at least my performance was better than that of financial markets overnight with most markets relatively stable. Fixed income markets were a touch firmer with the 2-year US yield 2bps higher at 4.30% while the 10-years firmed 3bps to 4.61%. The USD-index is a touch firmer having re-claimed the 108.00 level with the NZD and AUD largely unchanged. Equity bourses are mixed, ranging between -0.25% and 0.75%, although the S&P is the out performer rallying 1.6%. Commodity markets continued their recent trend with oil prices -0.5% lower while gold and silver prices firmed 0.5%.

The NZ Q4 inflation print ...

... offered something for both the hawks and the doves! Headline inflation failed to slow, remaining at 2.2% for the year against forecasts at 2.1% while, on the quarter, inflation fell from 0.6% to 0.5%. What was noticeable was the surge in tradeable inflation from its prior -0.2 to 0.3% highlighting the risks of imported inflation, although there was a positive with non-tradeable inflation outperforming expectations falling from 1.3% to 0.7% offering some hope that the impact of imported inflation can be negated. Against this, the RBNZ's own preferred 'sectoral factor' model had annual Q4 inflation falling from 3.4% to 3.1% in Q4. I suspect, given the Governor comments post the November MPS, this result cements in a further 50bps cut at their next meeting in February.

After suggesting 25% tariffs on Mexico and Canada on his first day, yesterday the President suggesting 10% tariffs on goods from China, and possible EU tariffs as well. Meanwhile, an overnight WSJ article suggested President Trump is using tariff threats to renegotiate the US trade agreement with Mexico and Canada. The article also suggests that Trump wants to wait until he has full trade team before placing tariffs! So let me get this right ... shout, threaten ... and then negotiate!

The overnight highlights:

- UK public sector net borrowing, excluding public sector banks, rose to GBP17.81bn, above expectations at GBP14.1bn.
- Canadian industrial producer prices

rose by 0.2% in December.

- 18 out of 19 Japanese economists expect a BoJ rate hike on Friday.

All the chit chat!

ECB President, Christine Lagarde, added, "The ECB isn't lowering rates too slowly and will maintain its measured approach to easing," while Colleagues, Klaas Knot, added, "Investor bets for rate cuts in January and March are reasonable," while Jose Luis Escrivá added, "A reduction next week is very probable."

Against this, ECB hawk, Robert Holzmann, stated, "Inflation gauges are still very strong. There is a danger of cutting and then hiking again. It would be better to wait a bit longer for a rate cut. I can be persuaded on rate cuts if there are good arguments."

JP Morgan CEO, Jamie Dimon, suggested, "US equity markets are overheated, and while a pro-growth environment may justify these 'kind of inflated' asset prices, there are negatives out there that can surprise."

The USD500bn Stargate project between the US Government, Softbank's Masayoshi Son, Oracle's Larry Ellison and OpenAI's Sam Altman has created a bit of a rift with 'First Buddy' Elon Musk stating, "they don't actually have the money!" Microsoft CEO, Satya Nadella, hit back with, "All I know is, I'm good for my USD80bn," while Sam Altman went a step further with, "Wrong, this is great for the country. I realize what is great for the country isn't always what's optimal for your companies Elon, but in your new role I hope you'll mostly put America first." Burn!



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Daily Rates

Thursday 23 January 2025

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	67.80					CAD	0.8136	0.9016
NZD/USD	0.5670	0.0001	0.0007	0.0020	0.0046	CHF	0.5136	0.5691
NZD/AUD	0.9029	0.0002	0.0009	0.0023	0.0054	CNY	4.1235	4.5687
NZD/JPY	88.765	-0.30	-0.79	-1.48	-2.78	DKK	4.0583	4.4951
NZD/EUR	0.5442	-0.0006	-0.0016	-0.0032	-0.0064	FJD	1.2902	1.4291
NZD/GBP	0.4600	0.0002	0.0008	0.0019	0.0040	HKD	4.4142	4.8892
						KRW	813.59	901.15
AU TWI	60.00					MYR	2.5126	2.7830
AUD/USD	0.6278	0.0000	0.0002	0.0005	0.0013	NOK	6.3858	7.0729
AUD/NZD	1.1074	-0.0003	-0.0012	-0.0031	-0.0070	SEK	6.2317	6.9023
AUD/JPY	98.30	-0.36	-0.98	-1.91	-3.65	SGD	0.7676	0.8502
AUD/EUR	0.6025	-0.0008	-0.0024	-0.0051	-0.0108	TWD	18.52	20.51
AUD/GBP	0.5092	0.0001	0.0003	0.0007	0.0013	ZAR	10.47	11.60
USD Index	108.17					EQUITIES		
EUR/USD	1.0419	0.0014	0.0044	0.0097	0.0209		Index	
USD/JPY	156.54	-0.58	-1.61	-3.15	-6.12	NZX50	13,037	
GBP/USD	1.2323	-0.0002	-0.0005	-0.0008	-0.0011	ASX200	8,430	
EUR/GBP	0.8452	0.0013	0.0039	0.0083	0.0175	Dow Jones	44,176	
USD/CNY	7.2728	-0.0164	-0.0497	-0.1055	-0.2278	S&P 500	6,092	
						FTSE100	8,545	
INTEREST		New Zealand		Australia		DAX 30	21,254	
RATES		Mid		Mid		Nikkei	39,646	
30 day bank bills		4.36%		4.37%		COMMODITIES		
90 day bank bills		4.08%		4.38%			USD	
1 year swap		3.63%		4.03%		Brent Crude	79.14	
2 year swap		3.54%		3.92%		Gold	2,758.00	
3 year swap		3.59%		3.92%		Silver	30.90	
5 year swap		3.75%		4.20%		Iron Ore	101.21	
10 year swap		4.16%		4.50%		CRB Index	372.33	
3 year Govt bond		3.83%		3.95%			NZD	
5 year Govt bond		4.10%		4.10%		NZ Carbon	63.90	
10 year Govt bond		4.69%		4.55%				

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