

# Market Alert

Tuesday 28 January 2025

CURRENCIES	Spot	6mths
NZD/USD	0.5684	0.0019
NZD/AUD	0.9051	0.0023
NZD/JPY	87.885	-1.46
NZD/EUR	0.5422	-0.0031
NZD/GBP	0.4556	0.0019
NZD/CNH	4.1228	-0.0286
AUD/USD	0.6278	0.0005
AUD/EUR	0.5988	-0.0050
EUR/USD	1.0484	0.0095
USD/CNH	7.2533	-0.0760
GBP/USD	1.2475	-0.0009
EUR/GBP	0.8400	0.0081

  

INT RATES	NZ	Australia
OCR/Cash	4.25%	4.35%
90 day bills	4.01%	4.37%
2 year swap	3.48%	3.84%
10 year Govt	4.64%	4.53%

## It was great to enjoy the long weekend ...

... but what's the story with the wind this summer? I spent one day of the break up on my roof, which certainly got the heart bumping as I was hanging on for dear life a couple of times!

## So let me get this right ...

... US President Donald Trump ordered 25.0% tariffs, visa restrictions and other retaliatory measures against Colombia after it rejected two US military flights carrying deported migrants. Colombia then retaliated with their own 25.0% tariffs on US imports, before a deal was struck on the return of deported migrants with the President rescinding his vow on Colombian levies. At least that's how I think it went! But don't worry, the President's advisers are still pushing

to impose 25.0% tariffs on Mexico and Canada as soon as Saturday.

US equity markets are in turmoil this morning, with companies that provide chips and AI infrastructure plummeting as alternatives that are more cost-effective, run on less-advanced chips, and use less power/electricity, such as China's DeepSeek, threaten the heavyweights. Nvidia has been the biggest beneficiary from the AI boom for its GPU capacity, and it was the largest company in the world on Friday, valued at around USD3.5trn, but today's sell-off has seen its share price fall 17.0% wiping off about USD600bn of its market capitalisation. Broadcom has lost 18.0% today, while Oracle has fallen 13.0%.

Concerns over the US's dominance in AI has also triggered broader risk-averse sentiment, which has seen treasury yields plummet with the 2-years 7bps lower at 4.21% while the 10-years is 9bps lower at 4.54%, which should weigh on local swaps rates when we open this morning. But in amongst all of this, FX markets have been a lot more resilient ... the USD-index has fallen to the low 107.00's, although the NZD and AUD have struggled to maintain momentum above the 0.5700 and 0.6300 levels, respectively.

Last week, as was widely expected, the BoJ raised its target rate by 25bps to 0.50%. This was in line with expectations, although the central bank surprised the markets with its inflation outlook, which was revised sharply higher to above 2.0% throughout 2026. If the spring wage negotiations bring another solid wage increase, the BoJ could look to deliver

another rate hike as soon as May.

The Chicago Feds national activity index increased to 0.15 in December to record its highest print in 7-months from November's upwardly revised -0.01, while the Dallas Fed's Texas manufacturing activity index rose 7-pips to 12.2 in January, which was the index's highest level since October 2021!

Eurozone composite PMIs increased from 49.6 to 50.2. Breaking it down, manufacturing increased from 44.3 to 46.8, while the services sector dropped slightly from 51.6 to 51.4.

China's economy stumbled in January, with factory activity unexpectedly shrinking to 49.1 after three months of expansion, falling from December's 50.1. Non-manufacturing PMIs also fell from a 9-month high of 52.2 to 50.2.

## Looking at the week ahead ...

... or ... what's left of this week ... once again, any sudden or unexpected announcements from President Trump's policy will likely generate knee-jerk reactions, but apart from that, we also have key central bank decisions from the Fed, the ECB, the BoC, and the Swedish central bank, the Riksbank. It is also a full week of economic data releases, with GDP updates from the US, the Eurozone, Germany, and France, the December US PCE inflation update as well as the latest inflation readings from Germany, France, and Australia. China will be closed for the remainder of the week due to their Lunar New Year celebrations. However, official PMI data will still be released.



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# Daily Rates

Tuesday 28 January 2025

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	67.90					CAD	0.8173	0.9034
NZD/USD	0.5684	0.0001	0.0008	0.0019	0.0041	CHF	0.5124	0.5665
NZD/AUD	0.9051	0.0002	0.0009	0.0023	0.0050	CNY	4.1114	4.5445
NZD/JPY	87.885	-0.28	-0.79	-1.46	-2.78	DKK	4.0441	4.4683
NZD/EUR	0.5422	-0.0006	-0.0016	-0.0031	-0.0064	FJD	1.2920	1.4275
NZD/GBP	0.4556	0.0002	0.0008	0.0019	0.0037	HKD	4.4257	4.8899
						KRW	814.43	899.86
AU TWI	60.30					MYR	2.4859	2.7466
AUD/USD	0.6278	0.0000	0.0002	0.0005	0.0011	NOK	6.3917	7.0621
AUD/NZD	1.1047	-0.0003	-0.0013	-0.0031	-0.0068	SEK	6.2186	6.8708
AUD/JPY	97.09	-0.34	-0.99	-1.87	-3.56	SGD	0.7642	0.8443
AUD/EUR	0.5988	-0.0008	-0.0024	-0.0050	-0.0102	TWD	18.69	20.65
AUD/GBP	0.5030	0.0001	0.0003	0.0007	0.0014	ZAR	10.65	11.76
USD Index	107.43					<b>EQUITIES</b>		
EUR/USD	1.0484	0.0014	0.0045	0.0095	0.0199		<b>Index</b>	
USD/JPY	154.61	-0.54	-1.60	-3.09	-5.91	NZX50	13,000	
GBP/USD	1.2475	-0.0002	-0.0005	-0.0009	-0.0014	ASX200	8,409	
EUR/GBP	0.8400	0.0012	0.0039	0.0081	0.0167	Dow Jones	44,644	
USD/CNY	7.2507	-0.0145	-0.0493	-0.1056	-0.2320	S&P 500	5,991	
						FTSE100	8,504	
<b>INTEREST</b>		<b>New Zealand</b>		<b>Australia</b>		DAX 30	21,282	
<b>RATES</b>		Mid		Mid		Nikkei	39,566	
30 day bank bills		4.30%		4.36%		<b>COMMODITIES</b>		
90 day bank bills		4.01%		4.37%			<b>USD</b>	
1 year swap		3.60%		3.98%		Brent Crude	77.04	
2 year swap		3.52%		3.85%		Gold	2,739.99	
3 year swap		3.56%		3.82%		Silver	30.16	
5 year swap		3.73%		4.10%		Iron Ore	101.34	
10 year swap		4.14%		4.41%		CRB Index	373.63	
3 year Govt bond		3.80%		3.89%			<b>NZD</b>	
5 year Govt bond		4.07%		4.06%		NZ Carbon	63.80	
10 year Govt bond		4.64%		4.53%				

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