

Market Alert

Thursday 30 January 2025

CURRENCIES	Spot	6mths
NZD/USD	0.5655	0.0020
NZD/AUD	0.9072	0.0022
NZD/JPY	87.700	-1.45
NZD/EUR	0.5426	-0.0031
NZD/GBP	0.4543	0.0018
NZD/CNH	4.1094	-0.0268
AUD/USD	0.6231	0.0006
AUD/EUR	0.5979	-0.0048
EUR/USD	1.0420	0.0094
USD/CNH	7.2673	-0.0743
GBP/USD	1.2445	-0.0008
EUR/GBP	0.8368	0.0079

INT RATES	NZ	Australia
OCR/Cash	4.25%	4.35%
90 day bills	4.29%	4.34%
2 year swap	3.42%	3.78%
10 year Govt	4.58%	4.47%

Are we there yet?

In terms of the global interest rate cutting cycle? Not quite ... but we are getting close!

Overnight the central banks all stuck to their respective scripts. The Federal Reserve maintain their Fed Funds range at 4.25%-4.50%, as was expected. The statement was balanced, highlighting that while, *"Inflation remains somewhat elevated, labour market conditions remain solid, and the unemployment rate has stabilised at a low level."* At this stage the risks are evenly balanced with the Fed now being data-dependant as it assesses the impact of the previous rate cuts.

The BoC cut their overnight rate by 25bps to 3.00%, with the general view being the cash rate is at, or near its neutral rate having now eased 200bps since last June. The BoC has also announced an end to

its quantitative tightening programme, which had been used to shrink its balance sheet, and will restart asset purchases in early March to support liquidity and traction of economic activity.

The Swedish Riksbank cut its policy rate by 25bps to 2.25%, which was its 5th consecutive rate cut and the 6th since May totalling 175bps of reductions. In December the central bank had indicated there would likely be one further cut in 2025, with future moves data dependant.

Australian annual inflation rate slowed to 2.4% in Q4, down from 2.8% in Q3 and below the forecast of 2.5%. The quarterly rate also came in below expectations at 0.2%, while the policy-relevant trimmed mean inflation rate increased by 0.5% on the quarter, which saw the annual rate ease to 3.2%.

The positive inflation print saw the AUD/USD rate fall from 0.6250 to the 0.6230 level with financial markets now pricing in an 80% chance the RBA will cut its cash rate by 25bps to 4.35%. Personally, I'm not 100% convinced they will go, but time will tell!

Markets had been quiet ahead of the FOMC announcement. The only real mover in currency markets had been the weakening of the AUD, which also weighed on the NZD, while USD/CNY fell towards the 7.2650 level. US yields were 1bps-2bps higher across the board, while equity and commodities markets were mixed, although it should be noted oil prices were 1.4% lower. Post the Fed announcement, the USD strengthened a fraction which saw the NZD and AUD to

weekly lows while treasury yields firmed, with the 10-years 5bps higher at 4.58%.

Looking at the data releases:

- The US trade deficit widened to a record USD122.1bn in December, ahead of expectations at USD105.4 bn.
- The Atlanta Feds GDPNow forecast has been slashed from 3.2% to 2.3%.
- Eurozone money growth (M3) decelerated to 3.5% from November's 3.8%.
- Japanese consumer confidence fell from 36.2 to 35.2 in January.
- Germany February GfK consumer confidence -22.4 vs -20.0 expected.

The RBNZ's Chief Economist, Paul Conway, gave a rare speech although there was nothing new or enlightening in it. Breaking it down, *"With declining inward migration and weak productivity growth, potential output growth is likely to be modest. Easing domestic pricing intentions and a drop in inflation expectations will help open the way for some further easing of the OCR, as signalled in November."*

Congratulations Elon!

Elon Musk has been nominated for the 2025 Nobel Peace Prize in recognition of his efforts to protect free speech. But while everyone likes an individual award, it should be noted that previous nominees include Russian President Vladimir Putin (nominated in 2020), Joseph Stalin (1945 and 1948) and Adolf Hitler (1939)!



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Daily Rates

Thursday 30 January 2025

FX	Spot	FECs (mid)				Spot Mid	
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...
NZ TWI	67.80					CAD	0.8154 0.8987
NZD/USD	0.5655	0.0001	0.0008	0.0020	0.0046	CHF	0.5126 0.5653
NZD/AUD	0.9072	0.0002	0.0010	0.0022	0.0046	CNY	4.1153 4.5472
NZD/JPY	87.700	-0.26	-0.76	-1.45	-2.69	DKK	4.0488 4.4620
NZD/EUR	0.5426	-0.0005	-0.0016	-0.0031	-0.0061	FJD	1.2894 1.4210
NZD/GBP	0.4543	0.0002	0.0008	0.0018	0.0039	HKD	4.4053 4.8548
						KRW	815.65 898.89
AU TWI	59.60					MYR	2.4810 2.7342
AUD/USD	0.6231	0.0000	0.0002	0.0006	0.0016	NOK	6.3849 7.0365
AUD/NZD	1.1020	-0.0003	-0.0013	-0.0030	-0.0076	SEK	6.2175 6.8520
AUD/JPY	96.63	-0.31	-0.94	-1.83	-3.48	SGD	0.7632 0.8411
AUD/EUR	0.5979	-0.0007	-0.0024	-0.0048	-0.0098	TWD	18.58 20.48
AUD/GBP	0.5004	0.0001	0.0004	0.0008	0.0017	ZAR	10.49 11.56
USD Index	107.92					EQUITIES	
EUR/USD	1.0420	0.0013	0.0044	0.0094	0.0197		Index
USD/JPY	155.08	-0.50	-1.57	-3.08	-5.91	NZX50	13,003
GBP/USD	1.2445	-0.0002	-0.0005	-0.0008	-0.0014	ASX200	8,447
EUR/GBP	0.8368	0.0011	0.0038	0.0079	0.0164	Dow Jones	44,791
USD/CNY	7.2507	-0.0145	-0.0493	-0.1056	-0.2320	S&P 500	6,041
						FTSE100	8,558
INTEREST		New Zealand		Australia		DAX 30	21,638
RATES		Mid		Mid		Nikkei	39,415
30 day bank bills		4.30%		4.34%		COMMODITIES	
90 day bank bills		4.29%		4.34%			USD
1 year swap		3.54%		3.93%		Brent Crude	76.78
2 year swap		3.46%		3.79%		Gold	2,752.69
3 year swap		3.58%		3.77%		Silver	30.71
5 year swap		3.69%		4.06%		Iron Ore	101.30
10 year swap		4.02%		4.39%		CRB Index	369.46
3 year Govt bond		3.75%		3.82%			NZD
5 year Govt bond		4.01%		3.99%		NZ Carbon	63.75
10 year Govt bond		4.58%		4.47%			

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