

Market Alert

Friday 31 January 2025

CURRENCIES	Spot	6mths
NZD/USD	0.5652	0.0021
NZD/AUD	0.9070	0.0023
NZD/JPY	87.245	-1.42
NZD/EUR	0.5424	-0.0031
NZD/GBP	0.4542	0.0019
NZD/CNH	4.1110	-0.0261
AUD/USD	0.6231	0.0007
AUD/EUR	0.5977	-0.0050
EUR/USD	1.0419	0.0098
USD/CNH	7.2734	-0.0735
GBP/USD	1.2443	-0.0007
EUR/GBP	0.8369	0.0082

INT RATES	NZ	Australia
OCR/Cash	4.25%	4.35%
90 day bills	4.29%	4.31%
2 year swap	3.40%	3.77%
10 year Govt	4.60%	4.48%

Friday ... buy day!

Yep ... you've got to love these short weeks and hot, humid evenings ... now ... if I could just stop those bugs coming in at night, there wouldn't be so much screaming in my household at night!

But while most central banks are signalling a move away from their fast cutting cycles ...

... to becoming more data dependant, one central bank that still has a way to go in the cutting process is the ECB ... despite today's 25bps rate cut! In reducing the deposit facility rate to 2.75%, the main refinancing rate to 2.90%, and the marginal lending rate to 3.15%, interest rates in the Eurozone remains restrictive while the recent surge in bond yields has also contributed to the pessimistic economic outlook. During the press

conference, ECB President, Christine Lagarde, stated, "The economy is set to remain weak in the near term although expectations for a recovery (later in the year) remain in place. The uptick in inflation was expected, although wages, profits, and geopolitical risks remain."

Post the meeting, three ECB board members have suggested there will be a further rate cut in March although they expect a broader, deeper debate after that implying a pause in April.

The advance estimate for annual US GDP suggested Q4 growth eased back to 2.3% from Q3's 3.1%. Forecasts had been at 2.5%. Estimates suggest the small miss was derived by inventory shredding, the PCE prices paid was in line with expectations at 2.5%, while personal consumption was a strong contributor soaring 4.2%.

US initial jobless claims fell from 223k to 207k, which was below forecasts at 225k, while continuing claims fell from last weeks revised higher 1,900k to 1,858k.

US December pending home sales fell 5.5%, which was a lot worse than the forecast 0.0%.

Japan has announced that the cost to service its debts will rise by 25%, to almost USD230bn, by 2028. I guess that what happens when your central bank start raising interest rates!

Yet another NZ business survey confirmed what we've all been feeling, yep, business confidence fell from 62.3 to 54.4 in January, a 5-month low, while the own activity outlook fell from 50.3 to 45.8.

But it's not all doom and gloom as economic 'think tank' Infometrics is forecasting the economy will begin to see annual growth of 2.5% from the middle of the year as "Higher commodity prices for meat and dairy, alongside continued strength in horticulture prices, will flow into better economic conditions" although they are forecasting the RBNZ will complete its interest rate cutting cycle by mid-year as, "The weaker NZD, higher fuel prices, and concerns about more persistent price pressures internationally could cause a small uptick in inflation later this year."

No sooner had arrangements for a meeting ...

... between Trump and Japan PM Ishiba been finalised than USD/JPY plummeted on speculation their currencies would be discussed given Trump wants a softer dollar and Ishiba wants a stronger yen! Currently USD/JPY is at 154.50, although the JPY's strength hasn't flowed through to a weaker NZD/JPY which remains above the 87.00 level at 87.35. This is predominately due to lacklustre trading in NZD which is unchanged against the USD and on the crosses. It's a similar story with the AUD and USD-index ... in fact, apart from USD/JPY, nothing has moved at all ... not even the treasury market with the 2-year yield flat at 4.22% while the 10-years is a pip lower at 4.53%. Equity markets are 0.25%-0.75% higher, while commodity prices are mixed ... meaning some are a little higher, and some are a little lower!



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Daily Rates

Friday 31 January 2025

FX	Spot	FECs (mid)				Spot Mid	
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...
NZ TWI	67.70					CAD	0.8142 0.8980
NZD/USD	0.5652	0.0001	0.0009	0.0021	0.0047	CHF	0.5133 0.5662
NZD/AUD	0.9070	0.0002	0.0009	0.0023	0.0045	CNY	4.1153 4.5472
NZD/JPY	87.245	-0.26	-0.79	-1.42	-2.64	DKK	4.0457 4.4618
NZD/EUR	0.5424	-0.0006	-0.0017	-0.0031	-0.0062	FJD	1.2894 1.4220
NZD/GBP	0.4542	0.0002	0.0008	0.0019	0.0040	HKD	4.4024 4.8551
						KRW	814.73 898.51
AU TWI	59.50					MYR	2.4792 2.7342
AUD/USD	0.6231	0.0000	0.0003	0.0007	0.0017	NOK	6.3712 7.0306
AUD/NZD	1.1023	-0.0003	-0.0013	-0.0031	-0.0066	SEK	6.2226 6.8624
AUD/JPY	96.16	-0.31	-0.97	-1.85	-3.44	SGD	0.7624 0.8411
AUD/EUR	0.5977	-0.0007	-0.0024	-0.0050	-0.0102	TWD	18.54 20.45
AUD/GBP	0.5006	0.0001	0.0004	0.0008	0.0015	ZAR	10.43 11.51
USD Index	107.89					EQUITIES	
EUR/USD	1.0419	0.0013	0.0047	0.0098	0.0206		Index
USD/JPY	154.35	-0.50	-1.64	-3.09	-5.89	NZX50	12,928
GBP/USD	1.2443	-0.0001	-0.0004	-0.0007	-0.0010	ASX200	8,494
EUR/GBP	0.8369	0.0011	0.0040	0.0082	0.0168	Dow Jones	44,859
USD/CNY	7.2507	-0.0145	-0.0493	-0.1056	-0.2320	S&P 500	6,051
						FTSE100	8,647
INTEREST		New Zealand		Australia		DAX 30	21,727
RATES		Mid		Mid		Nikkei	39,514
30 day bank bills		4.30%		4.32%		COMMODITIES	
90 day bank bills		4.29%		4.31%			USD
1 year swap		3.52%		3.91%		Brent Crude	76.86
2 year swap		3.44%		3.78%		Gold	2,796.26
3 year swap		3.58%		3.76%		Silver	31.58
5 year swap		3.69%		4.06%		Iron Ore	101.33
10 year swap		4.07%		4.37%		CRB Index	371.14
3 year Govt bond		3.76%		3.82%			NZD
5 year Govt bond		4.02%		3.99%		NZ Carbon	64.15
10 year Govt bond		4.60%		4.48%			

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