

Market Alert

Monday 03 February 2025

CURRENCIES	Spot	6mths
NZD/USD	0.5597	0.0021
NZD/AUD	0.9071	0.0022
NZD/JPY	86.865	-1.40
NZD/EUR	0.5454	-0.0033
NZD/GBP	0.4549	0.0019
NZD/CNH	4.1284	-0.0231
AUD/USD	0.6165	0.0007
AUD/EUR	0.6006	-0.0052
EUR/USD	1.0260	0.0098
USD/CNH	7.3193	-0.0687
GBP/USD	1.2300	-0.0006
EUR/GBP	0.8328	0.0081

INT RATES	NZ	Australia
OCR/Cash	4.25%	4.35%
90 day bills	4.29%	4.30%
2 year swap	3.40%	3.79%
10 year Govt	4.61%	4.53%

Who else would it be?

We may need to add a dedicated Trump section to this at this rate. Mr. Trump was once again in the headlines over the weekend announcing 25% tariffs each on Mexico and Canada, and 10% on China. The executive order is prescribed to come into effect on February 4 and will not apply to goods that are in transit before the effective day. As the order does not come into immediate effect, many believe this may be another high-pressure negotiation tactic in the 'art of the deal'. President Trump may need to be careful with what he wishes for, as Canada has promised to announce retaliative measures after speaking to Mexico's President, and Beijing has stated that it would file a lawsuit with the World Trade Organisation.

Real Data

December's US PCE data, which is the Fed's preferred measure of inflation, was in line with expectations. The headline PCE figure increased from 0.1% the prior month to 0.3%, lifting the annual figure from 2.4% to 2.6%, while the core PCE figure increased by 0.2% in December to leave the annual figure at 2.8%.

Strength in the consumer remains a large factor in the US economy, as personal income increased by 0.4% in the month of December, while personal spending came in higher than expected, increasing by 0.7% in December, as November's figure was also revised higher.

In New Zealand, the ANZ-Roy Morgan Consumer Confidence index fell 4 points in January to 96.0, with the proportion of households thinking that it's a good time to buy a major household item (the best retail indicator, according to ANZ), dropping by 15 points to -16. Inflation expectations were stated to have been very stable over the past few months, with little change at 3.9%.

As the economic data was in line with expectations, markets were largely unchanged, but as you could guess, the implications of Trump's yet-to-be-effective trade war weighed on markets. The USD-index jumped back above the 108.50 level, this pushed both antipodean currencies lower, with the NZD/USD down below 0.5600, while the AUD/USD is back below the 0.6200 level. US Treasury yields also moved marginally higher with the 10-year currently at 4.54%.

The week ahead...

...is ripe with data releases. Today, we have CPI data from the Eurozone and retail sales from Australia. While rounding out the week, on Friday the BoE will provide an update on its interest rate. Markets have almost fully priced in a 25bps cut to 4.75%. Early Saturday morning we have non-farm payroll data from the US, some of the most important data and will give us an update on the state of the labour market in the US, which as of recent has remained beyond resilient.

Locally, we have the latest labour market data on Wednesday, which will be the last big release before the RBNZ policy decision at the end of this month. Expectations are for further softening in the labour market with the unemployment rate likely to tick above 5.0% from its current rate of 4.8%.



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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	67.50					CAD	0.8230	0.9027
NZD/USD	0.5597	0.0002	0.0008	0.0021	0.0044	CHF	0.5109	0.5633
NZD/AUD	0.9071	0.0001	0.0009	0.0022	0.0046	CNY	4.1153	4.5472
NZD/JPY	86.865	-0.26	-0.77	-1.40	-2.60	DKK	4.0256	4.4397
NZD/EUR	0.5454	-0.0005	-0.0017	-0.0033	-0.0066	FJD	1.2783	1.4098
NZD/GBP	0.4549	0.0002	0.0008	0.0019	0.0039	HKD	4.3567	4.8048
						KRW	813.74	897.44
AU TWI	59.60					MYR	2.4876	2.7434
AUD/USD	0.6165	0.0000	0.0003	0.0007	0.0017	NOK	6.3687	7.0238
AUD/NZD	1.1019	-0.0003	-0.0012	-0.0031	-0.0074	SEK	6.2659	6.9104
AUD/JPY	96.31	-0.30	-0.95	-1.80	-3.38	SGD	0.7635	0.8421
AUD/EUR	0.6006	-0.0007	-0.0025	-0.0052	-0.0105	TWD	18.43	20.33
AUD/GBP	0.5009	0.0001	0.0004	0.0007	0.0016	ZAR	10.54	11.63
USD Index	108.50					EQUITIES		
EUR/USD	1.0260	0.0013	0.0045	0.0098	0.0209		Index	
USD/JPY	155.18	-0.50	-1.61	-3.09	-5.93	NZX50	12,995	
GBP/USD	1.2300	-0.0001	-0.0004	-0.0006	-0.0007	ASX200	8,532	
EUR/GBP	0.8328	0.0011	0.0039	0.0081	0.0173	Dow Jones	44,545	
USD/CNY	7.2507	-0.0144	-0.0495	-0.1075	-0.2299	S&P 500	6,041	
						FTSE100	8,674	
INTEREST		New Zealand		Australia		DAX 30	21,732	
RATES		Mid		Mid		Nikkei	39,572	
30 day bank bills		4.30%		4.32%		COMMODITIES		
90 day bank bills		4.29%		4.30%			USD	
1 year swap		3.53%		3.92%		Brent Crude	75.67	
2 year swap		3.42%		3.80%		Gold	2,801.00	
3 year swap		3.46%		3.78%		Silver	31.30	
5 year swap		3.63%		4.08%		Iron Ore	105.78	
10 year swap		4.05%		4.41%		CRB Index	368.05	
3 year Govt bond		3.76%		3.84%			NZD	
5 year Govt bond		4.03%		4.02%		NZ Carbon	64.35	
10 year Govt bond		4.61%		4.53%				

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