

Market Alert

Tuesday 04 February 2025

CURRENCIES	Spot	6mths
NZD/USD	0.5591	0.0023
NZD/AUD	0.9046	0.0022
NZD/JPY	86.610	-1.38
NZD/EUR	0.5437	-0.0032
NZD/GBP	0.4509	0.0019
NZD/CNH	4.1284	-0.0189
AUD/USD	0.6179	0.0009
AUD/EUR	0.6009	-0.0051
EUR/USD	1.0281	0.0102
USD/CNH	7.3281	-0.0635
GBP/USD	1.2398	-0.0003
EUR/GBP	0.8290	0.0083

INT RATES	NZ	Australia
OCR/Cash	4.25%	4.35%
90 day bills	4.29%	4.28%
2 year swap	3.32%	3.74%
10 year Govt	4.57%	4.49%

The Trump Corner

Yesterday the market grappled with the implications of Trump's tariff plans, sending the NZD/USD lower, however the NZD bounced off 0.5516 which was its lowest level since the end of 2022. As for the AUD/USD, it had a slightly larger fall as the AUD fell to 0.6088, which was its lowest level in almost 5-years.

Trump once again made headlines overnight. Mexico has managed to delay its tariffs by a month, while Trump has spoken to Canadian Prime Minister, Justin Trudeau, although they are yet to work out a resolution. Trump is set to talk to Trudeau again and China in the coming hours.

It appears that Trump is on a war path as he floated the idea of tariffs on goods from the EU which sent the EUR/USD towards parity, marking the lowest level since 2022. This news also imposes a headache to the already struggling European automakers, which sent their stock prices lower. Overnight we had the EU's preliminary CPI report for January. It showed both headline and core inflation were slightly higher than expectations, although ECB member, Gediminas Šimkus, still sees a 25bps rate cut in March.

However, markets have recovered slightly, with the NZD/USD lifting through the 0.5600 level briefly, while the AUD/USD is back at 0.6180.

So, what do tariffs mean for the Fed? There were a few Fed speakers overnight, with the general message being that tariffs bring a greater degree of uncertainty and with limited experience with large scale tariffs, it is appropriate to err on the side of caution. Therefore, we are likely to see the Fed take a slower approach to its easing cycle as it not only waits for the 100bp of Fed cuts so far to wash through the system, but also for Trump's tariff game plan to play out. In a switch, Trump yesterday said that the Fed made the right call last week to pause cuts, a pivot from his previous demand that the central bank ease "immediately".

The benchmark US10-year treasury yield was surprisingly stable overnight, hovering around the 4.50% level.

All about Australia

Australian retail sales fell by -0.1% over the December 2024 month, but this was far better than expectations of a 0.7% drop, with Cyber Monday falling in December helping to boost sales early in the month. Over Q4, retail sales rose by 1.0%, beating forecasts of a 0.8% rise for the largest gain since early 2022. The Melbourne Institute Inflation Gauge reported a rise in the January month of 0.1% and a rise in the January year of 2.3%. These were both lower than the prior figures of 0.6% and 2.6%, respectively. Australian commodity prices rose by 0.1% in SDR ("Special Drawing Right") terms over the January month, but saw a drop of 11.9% over the January year. This was led by lower prices in iron ore and coking coal. In AUD terms the index fell by 8.2%.

The ANZ-Indeed job advertisements report revealed a 0.2% increase in job advertising in January, a moderation from December 2024's figure of 0.3%. Australian building approvals rose by 0.7% over the December 2024 month, lower than expectations of a 1.0% increase, but far greater than the prior revised figure of -3.4% for November. Annual building approvals rose by 5.6% over the December 2024 year, well below the previous figure of 7.1%.

Markets are currently implying a 90% chance of a rate cut by the RBA later this month.



BANCORP

BANCORP TREASURY SERVICES LIMITED

Barrington
TREASURY SERVICES

Barrington
ASSET CONSULTING



BANCORP

BANCORP CORPORATE FINANCE LIMITED

Daily Rates

Tuesday 04 February 2025

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	67.00					CAD	0.8140	0.9002
NZD/USD	0.5591	0.0002	0.0009	0.0023	0.0051	CHF	0.5104	0.5645
NZD/AUD	0.9046	0.0002	0.0009	0.0022	0.0044	CNY	4.1153	4.5472
NZD/JPY	86.610	-0.25	-0.76	-1.38	-2.57	DKK	4.0555	4.4843
NZD/EUR	0.5437	-0.0005	-0.0016	-0.0032	-0.0067	FJD	1.2824	1.4175
NZD/GBP	0.4509	0.0002	0.0008	0.0019	0.0039	HKD	4.3562	4.8160
						KRW	816.51	902.85
AU TWI	58.90					MYR	2.4987	2.7625
AUD/USD	0.6179	0.0001	0.0003	0.0009	0.0022	NOK	6.3753	7.0482
AUD/NZD	1.1052	-0.0003	-0.0012	-0.0031	-0.0084	SEK	6.2264	6.8835
AUD/JPY	95.72	-0.30	-0.94	-1.77	-3.35	SGD	0.7614	0.8418
AUD/EUR	0.6009	-0.0007	-0.0024	-0.0051	-0.0107	TWD	18.45	20.40
AUD/GBP	0.4984	0.0001	0.0004	0.0008	0.0016	ZAR	10.52	11.63
USD Index	109.03					EQUITIES		
EUR/USD	1.0281	0.0013	0.0046	0.0102	0.0219		Index	
USD/JPY	154.92	-0.50	-1.60	-3.10	-5.96	NZX50	12,810	
GBP/USD	1.2398	-0.0001	-0.0003	-0.0003	0.0002	ASX200	8,379	
EUR/GBP	0.8290	0.0011	0.0040	0.0083	0.0174	Dow Jones	44,511	
USD/CNY	7.2507	-0.0145	-0.0493	-0.1056	-0.2320	S&P 500	6,007	
						FTSE100	8,584	
INTEREST		New Zealand		Australia		DAX 30	21,428	
RATES		Mid		Mid		Nikkei	38,520	
30 day bank bills		4.30%		4.29%		COMMODITIES		
90 day bank bills		4.29%		4.28%			USD	
1 year swap		3.45%		3.88%		Brent Crude	75.76	
2 year swap		3.36%		3.75%		Gold	2,820.73	
3 year swap		3.41%		3.73%		Silver	31.55	
5 year swap		3.60%		4.03%		Iron Ore	105.78	
10 year swap		4.03%		4.36%		CRB Index	368.05	
3 year Govt bond		3.71%		3.78%			NZD	
5 year Govt bond		3.99%		3.97%		NZ Carbon	63.90	
10 year Govt bond		4.57%		4.49%				

This document has been prepared by Bancorp Treasury Services Limited ("BTSL"). Whilst all reasonable care has been taken to ensure the facts stated are accurate and the opinions given are fair and reasonable, neither BTSL nor any of its directors, officers or employees shall in any way be responsible for the contents. No liability is assumed by BTSL, its directors, officers or employees for action taken or not taken on the basis of this document.



BANCORP
BANCORP TREASURY SERVICES LIMITED

Barrington
TREASURY SERVICES

Barrington
ASSET CONSULTING



BANCORP
BANCORP CORPORATE FINANCE LIMITED