

# Market Alert

Wednesday 05 February 2025

CURRENCIES	Spot	6mths
NZD/USD	0.5654	0.0022
NZD/AUD	0.9034	0.0021
NZD/JPY	87.205	-1.38
NZD/EUR	0.5445	-0.0031
NZD/GBP	0.4529	0.0019
NZD/CNH	4.1189	-0.0237
AUD/USD	0.6256	0.0007
AUD/EUR	0.6025	-0.0051
EUR/USD	1.0382	0.0100
USD/CNH	7.2852	-0.0705
GBP/USD	1.2480	-0.0005
EUR/GBP	0.8314	0.0082

  

INT RATES	NZ	Australia
OCR/Cash	4.25%	4.35%
90 day bills	4.29%	4.28%
2 year swap	3.31%	3.76%
10 year Govt	4.58%	4.53%

## You guessed it!

It would be nice to talk about somebody else ...

In what now appears to be a ruse, President Trump has agreed to pause the implementation of tariffs on goods from both Mexico and Canada by a month following talks with Mexican President, Claudia Sheinbaum, and Canadian Prime Minister, Justin Trudeau. But the 10% tariffs on all goods imports from China have gone ahead. China has announced retaliatory measures of its own, with 15% tariffs on US Coal and LNG and additional 10% tariffs on crude oil, farm equipment and some automakers. Notably China has also announced export controls on rare earth metals which are commonly used in electronics and semiconductors amongst other things.

Even though markets have bounced on the postponement of the Canadian and Mexican tariffs, we may have to go through this in a month's time, where Trump will undoubtedly use similar tactics in an attempt to get what he wants. European trade also remains in the crosshairs.

With tariff risks put on hold, there was an unwinding of USD strength overnight, with the NZD/USD jumping to 0.5650 and the AUD reaching 0.6250 as risk sentiment improved.

In interest rate markets, weaker US JOLTS job openings data saw Treasury yields fall, with the US 2-year down 4bp at 4.21%, while the 10-year fell 3bps to 4.52%. This will likely see local swap rates open marginally lower this morning.

Fridays US non-farm payrolls data will be watched with interest. With currency markets being so volatile and the local swaps curve presenting opportunities for borrowers (1.25% of cuts priced in by year-end), it is a good time to contact your trusted treasury advisors to update the hedging strategy.

## From your local circle

New Zealand home consents were down by 5.6% over the December month, with total consents of 2,478 across the country and a total of 33,600 new homes consented over the year. All regions other than Otago saw a decline over the year.

As hoped for, last night's GDT auction brought more good news with the GDT Price Index up 3.7%. Key products Skim Milk Powder and Whole Milk Powder increased by 4.7% and 4.1% respectively, while Lactose increased by a staggering 17.7%. This result, accompanied with a weak NZD/USD, will hopefully put extra money in farmers pockets which may help our economy recover over 2025.

Later this morning we have an update on the New Zealand labour market. Current market expectations are for employment to decrease, the unemployment rate to climb above 5.0% and for a further easing in the Labour Cost Index. This is the last key local data before the RBNZ's OCR decision later this month. With markets currently fully pricing in a 50bp cut by the RBNZ it would take a large surprise to change this.



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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	0.8096 0.8966
NZD/USD	0.5654	0.0002	0.0009	0.0022	0.0051	CHF	0.5113 0.5661
NZD/AUD	0.9034	0.0001	0.0009	0.0021	0.0048	CNY	4.1153 4.5472
NZD/JPY	87.205	-0.25	-0.74	-1.38	-2.60	DKK	4.0603 4.4942
NZD/EUR	0.5445	-0.0005	-0.0016	-0.0031	-0.0068	FJD	1.2884 1.4260
NZD/GBP	0.4529	0.0002	0.0008	0.0019	0.0039	HKD	4.4014 4.8717
						KRW	820.83 908.55
AU TWI	59.40					MYR	2.5095 2.7777
AUD/USD	0.6256	0.0000	0.0003	0.0007	0.0015	NOK	6.3493 7.0279
AUD/NZD	1.1068	-0.0004	-0.0014	-0.0032	-0.0072	SEK	6.1991 6.8615
AUD/JPY	96.53	-0.30	-0.93	-1.80	-3.40	SGD	0.7639 0.8455
AUD/EUR	0.6025	-0.0007	-0.0024	-0.0051	-0.0106	TWD	18.57 20.56
AUD/GBP	0.5010	0.0001	0.0004	0.0008	0.0014	ZAR	10.55 11.68
USD Index	108.00					<b>EQUITIES</b>	
EUR/USD	1.0382	0.0013	0.0046	0.0100	0.0217		<b>Index</b>
USD/JPY	154.25	-0.49	-1.59	-3.08	-5.85	NZX50	12,905
GBP/USD	1.2480	-0.0001	-0.0004	-0.0005	-0.0004	ASX200	8,374
EUR/GBP	0.8314	0.0011	0.0039	0.0082	0.0170	Dow Jones	44,577
USD/CNY	7.2507	-0.0145	-0.0493	-0.1056	-0.2320	S&P 500	6,036
						FTSE100	8,571
<b>INTEREST</b>		<b>New Zealand</b>		<b>Australia</b>		DAX 30	21,506
<b>RATES</b>		Mid		Mid		Nikkei	38,798
30 day bank bills		4.30%		4.29%		<b>COMMODITIES</b>	
90 day bank bills		4.29%		4.28%			<b>USD</b>
1 year swap		3.41%		3.89%		Brent Crude	76.23
2 year swap		3.35%		3.77%		Gold	2,843.26
3 year swap		3.41%		3.77%		Silver	32.22
5 year swap		3.61%		4.08%		Iron Ore	105.02
10 year swap		4.07%		4.41%		CRB Index	372.96
3 year Govt bond		3.68%		3.82%			<b>NZD</b>
5 year Govt bond		3.97%		4.01%		NZ Carbon	64.10
10 year Govt bond		4.58%		4.53%			

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