

Market Alert

Tuesday 25 February 2025

CURRENCIES	Spot	6mths
NZD/USD	0.5746	0.0024
NZD/AUD	0.9032	0.0025
NZD/JPY	85.950	-1.37
NZD/EUR	0.5483	-0.0032
NZD/GBP	0.4545	0.0020
NZD/CNH	4.1662	-0.0289
AUD/USD	0.6360	0.0009
AUD/EUR	0.6069	-0.0052
EUR/USD	1.0479	0.0103
USD/CNH	7.2497	-0.0806
GBP/USD	1.2641	-0.0004
EUR/GBP	0.8286	0.0084

INT RATES	NZ	Australia
OCR/Cash	3.75%	4.10%
90 day bills	3.75%	4.18%
2 year swap	3.54%	3.80%
10 year Govt	4.66%	4.55%

Well done Ravindra!

Yes, unbeknown to all of us, the Black Caps are playing in the recently revived Champions Trophy, and last night the team powered its way into the semi-finals with a century from Rachin Ravindra, after being 15 for 2 at one stage. Way to go Rachin ... but on the other side of the coin ... Caleb, naughty naughty! We've all done stupid things, so it's onwards and upwards from here!

Somewhat unsurprisingly ...

... the cricket was the most interesting thing that happened overnight!

There is some talk that the German election contributed to a stronger EUR, although I would refute that given the voting split will likely make it harder to introduce pro-growth policies and to

reform its debt to allow for increased spending. The German IFO business sentiment index eased from the revised 85.8 to 85.2. Despite the modest drop, German companies are becoming more optimistic in their outlook, although they are a touch more pessimistic about the current business environment.

Eurozone inflation firmed to 2.5% in January from December's revised 2.4%. Core inflation was flat at 2.7%.

BoF and ECB Governing Council member François Villeroy de Galhau suggested, "The ECB may reduce its deposit rate to 2.00% by summer."

In the US, the Dallas Fed's Texas manufacturing index plummeted 22pips from January's 3-year high at 14.1 to -8.3 in February, while the Chicago Fed's national activity index fell from December's upwardly revised 0.2 to 0.0 in January.

UK BoE member Swati Dhingra confirmed the MPC does not have a consensus about how fast the central bank should be cutting interest rates, although there was agreement in the use of the word "gradual."

It would appear everyone has been spending up large in New Zealand after Q4 retail sales surged 0.9% on the quarter to be up 0.2% on the year, which was a lot better than Q3's -0.1% and -2.5%. Expectations had been at 0.6% on the quarter. The knock-on effect also impacted credit card spending, which rose 1.3% in the year to January, which was an improvement on the prior -1.3%.

The overnight trading saw the USD-index weaken a touch as it closes in on the 106.35 support level. This level is key for the USD in the coming days and for this week, which will determine the NZD and AUD's directional bias in Q2. Treasury yields were also a touch lower with the 2-years easing 2bps to 4.18% while the 10-years has fallen 3bps to be at the bottom of its recent range at 4.40%. Equity markets have recovered from Friday's weakness to be 0.3%-0.5% higher, while commodity markets were a touch weaker, although oil prices were 0.4% higher.

The orange corner!

I suspect, after some influence from a certain 'orange' gentlemen, Apple has announced plans to invest USD500bn in the US over the next 4-years, hiring 20,000 workers and producing AI servers. Microsoft has cancelled some leases for US data centre capacity, while we are also hearing about some cancellations here in New Zealand. And speaking on the man, President Trump has proposals to charge fees on commercial ships from China, while he has also said to have urged Mexico to impose tariffs on Chinese imports.

Australian Treasurer Jim Chalmers will meet with US Treasury Secretary Scott Bessent in Washington seeking tariff exemptions.

Killing me softly with his song!

RIP Roberta Flack.



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Daily Rates

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FX	Spot	FECs (mid)				Spot Mid	
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...
NZTWI	68.30					CAD	0.8167 0.9042
NZD/USD	0.5746	0.0003	0.0010	0.0024	0.0047	CHF	0.5149 0.5702
NZD/AUD	0.9032	0.0002	0.0010	0.0025	0.0047	CNY	4.1576 4.6006
NZD/JPY	85.950	-0.23	-0.71	-1.37	-2.54	DKK	4.0893 4.5270
NZD/EUR	0.5483	-0.0005	-0.0016	-0.0032	-0.0068	FJD	1.2977 1.4366
NZD/GBP	0.4545	0.0002	0.0009	0.0020	0.0038	HKD	4.4666 4.9447
						KRW	820.84 908.71
AUTWI	60.50					MYR	2.5324 2.8035
AUD/USD	0.6360	0.0001	0.0004	0.0009	0.0016	NOK	6.3824 7.0656
AUD/NZD	1.1065	-0.0003	-0.0014	-0.0034	-0.0064	SEK	6.1140 6.7685
AUD/JPY	94.85	-0.28	-0.91	-1.79	-3.31	SGD	0.7688 0.8511
AUD/EUR	0.6069	-0.0007	-0.0025	-0.0052	-0.0107	TWD	18.79 20.80
AUD/GBP	0.5030	0.0001	0.0004	0.0008	0.0014	ZAR	10.55 11.68
USD Index	106.50					EQUITIES	
EUR/USD	1.0479	0.0014	0.0049	0.0103	0.0213		Index
USD/JPY	149.59	-0.47	-1.55	-3.01	-5.58	NZX50	12,532
GBP/USD	1.2641	-0.0001	-0.0003	-0.0004	-0.0004	ASX200	8,308
EUR/GBP	0.8286	0.0012	0.0040	0.0084	0.0173	Dow Jones	43,650
USD/CNY	7.2476	-0.0143	-0.0461	-0.0980	-0.2087	S&P 500	6,028
						FTSE100	8,659
INTEREST		New Zealand		Australia		DAX 30	22,426
RATES		Mid		Mid		Nikkei	38,777
30 day bank bills		3.87%		4.14%		COMMODITIES	
90 day bank bills		3.75%		4.18%			USD
1 year swap		3.49%		3.89%		Brent Crude	74.81
2 year swap		3.56%		3.81%		Gold	2,947.29
3 year swap		3.66%		3.82%		Silver	32.32
5 year swap		3.82%		4.11%		Iron Ore	107.13
10 year swap		4.21%		4.43%		CRB Index	376.53
3 year Govt bond		3.88%		3.90%			NZD
5 year Govt bond		4.16%		4.07%		NZ Carbon	63.40
10 year Govt bond		4.66%		4.55%			

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