

# Market Alert

Wednesday 26 February 2025

| CURRENCIES | Spot   | 6mths   |
|------------|--------|---------|
| NZD/USD    | 0.5719 | 0.0024  |
| NZD/AUD    | 0.9019 | 0.0024  |
| NZD/JPY    | 85.315 | -1.37   |
| NZD/EUR    | 0.5442 | -0.0033 |
| NZD/GBP    | 0.4515 | 0.0020  |
| NZD/CNH    | 4.1489 | -0.0294 |
| AUD/USD    | 0.6340 | 0.0008  |
| AUD/EUR    | 0.6033 | -0.0052 |
| EUR/USD    | 1.0507 | 0.0105  |
| USD/CNH    | 7.2543 | -0.0813 |
| GBP/USD    | 1.2663 | -0.0003 |
| EUR/GBP    | 0.8295 | 0.0084  |

  

| INT RATES    | NZ    | Australia |
|--------------|-------|-----------|
| OCR/Cash     | 3.75% | 4.10%     |
| 90 day bills | 3.75% | 4.17%     |
| 2 year swap  | 3.48% | 3.76%     |
| 10 year Govt | 4.63% | 4.51%     |

## Just hitting the newswires ...

... Ukraine has agreed a US minerals deal!

According to the Financial Times, Zelensky's government is ready to sign the US minerals deal after the US dropped its demands for a right to USD500bn in potential revenues.

This will support the EUR and broader 'risk-on' sentiment.

## Prior to this ... The Donald had commented ...

... that, "The tariffs are going forward on time, on schedule. The US has been taken advantage of by foreign nations on just about everything. So the tariffs will go forward, yes, and we're going to make up a lot of territory" ... which brought the tariff conversation back to the fore ... but ... this time, it was different!

Like the boy that cried wolf, the more

Trump talks about tariffs, the more the market tends to 'look through' his comments. Equity markets were mixed, but the gains were small, while the S&P fell to a 5-week low and the Nasdaq extended its losses for a fourth consecutive session as tech stocks were pummelled, with Tesla the worst performer, falling 8.25%. Investors sought the safe-haven of bonds, which saw the 10-year treasury yield fall to its lowest level since mid-December, dropping 10bps to 4.31%, while the 2-years fell 7bps to 4.11%. The USD-index was also sold, and is now sitting on key support at 106.35, with the JPY and EUR the biggest beneficiaries. Somewhat counterintuitively, the NZD and AUD weakened, falling 0.25%, although they remain above the psychological 0.5700 and 0.6300 levels. Commodity prices were also hit with oil, gold, and copper prices falling 2.5%, 1.5% and 0.5%, respectively. Bitcoin also fell to a 3-month low below the USD88k level.

And the banks were quick to warn of the dangers of tariffs too, with BoA announcing, "If tariffs of 10-25% are imposed, prices will rise by at least 10% in the US. The price increases could be demand destructive as buyers hesitate and could also create broader supply chain instability." JP Morgan then added, "We see tariff headline news flow risk as a continuous theme through this year, and beyond. If the trade war escalates, business confidence generally will be hit, but the US is likely to be less affected than others."

And there are consequences, with a further bank warning of US stagflation, citing "growth negative policies" from the deportations of undocumented workers,

government job cuts, higher tariffs threats, and a heightened risk that the proposed fiscal stimulus will be modest and delayed.

## Looking at the other headlines

- US house prices firmed after the S&P CoreLogic Case-Shiller 20-city home price index jumped 4.5% in the year to December, ahead of November's 4.3% gain.
- US consumer confidence fell from 104.1 to 98.3, while the Richmond Fed's composite index firmed from -4 to 6 in February.
- Q4 Eurozone wages increased 4.12% year-on-year, a slight decrease from Q3's 31-year high of 5.43%.
- Australian weekly consumer sentiment survey hit its highest since May 2022, lifting from 85.1 to 89.8.
- Japanese PPI services inflation firmed from 2.9% to 3.1% in January, which was in line with expectations.
- The PBoC left its Medium-Term Lending Facility at unchanged rate 2.0%.
- The Bank of Korea cuts its base rate by 25bps to 2.75%, as was expected.

Richmond Fed President Thomas Barkin announced, "Uncertainty argues for caution in the last stages of inflation fight. Policy should remain modestly restrictive until there is more confidence inflation will return to target."

The ECB's Yannis Stournaras was also on the wires stating, "It is too early to discuss pausing cuts. The ECB should keep cutting rates until reaching 2%. ECB rates are definitely too restrictive."



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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            | 68.10  |                    |         |                  |         | CAD                | 0.8171       | 0.9061 |
| NZD/USD           | 0.5719 | 0.0003             | 0.0011  | 0.0024           | 0.0045  | CHF                | 0.5103       | 0.5661 |
| NZD/AUD           | 0.9019 | 0.0003             | 0.0011  | 0.0024           | 0.0047  | CNY                | 4.1453       | 4.5962 |
| NZD/JPY           | 85.315 | -0.23              | -0.72   | -1.37            | -2.54   | DKK                | 4.0573       | 4.4994 |
| NZD/EUR           | 0.5442 | -0.0005            | -0.0016 | -0.0033          | -0.0068 | FJD                | 1.2931       | 1.4341 |
| NZD/GBP           | 0.4515 | 0.0003             | 0.0009  | 0.0020           | 0.0036  | HKD                | 4.4444       | 4.9287 |
|                   |        |                    |         |                  |         | KRW                | 819.70       | 909.02 |
| AU TWI            | 60.40  |                    |         |                  |         | MYR                | 2.5269       | 2.8023 |
| AUD/USD           | 0.6340 | 0.0001             | 0.0004  | 0.0008           | 0.0009  | NOK                | 6.3509       | 7.0430 |
| AUD/NZD           | 1.1086 | -0.0004            | -0.0014 | -0.0033          | -0.0074 | SEK                | 6.0562       | 6.7162 |
| AUD/JPY           | 94.59  | -0.29              | -0.92   | -1.78            | -3.30   | SGD                | 0.7641       | 0.8474 |
| AUD/EUR           | 0.6033 | -0.0007            | -0.0025 | -0.0052          | -0.0108 | TWD                | 18.74        | 20.78  |
| AUD/GBP           | 0.5005 | 0.0001             | 0.0004  | 0.0007           | 0.0013  | ZAR                | 10.53        | 11.67  |
| USD Index         | 106.28 |                    |         |                  |         | <b>EQUITIES</b>    |              |        |
| EUR/USD           | 1.0507 | 0.0014             | 0.0049  | 0.0105           | 0.0212  |                    | <b>Index</b> |        |
| USD/JPY           | 149.17 | -0.48              | -1.53   | -3.01            | -5.55   | NZX50              | 12,307       |        |
| GBP/USD           | 1.2663 | -0.0001            | -0.0003 | -0.0003          | -0.0006 | ASX200             | 8,252        |        |
| EUR/GBP           | 0.8295 | 0.0012             | 0.0040  | 0.0084           | 0.0169  | Dow Jones          | 43,606       |        |
| USD/CNY           | 7.2512 | -0.0157            | -0.0473 | -0.0970          | -0.2078 | S&P 500            | 5,971        |        |
|                   |        |                    |         |                  |         | FTSE100            | 8,669        |        |
| <b>INTEREST</b>   |        | <b>New Zealand</b> |         | <b>Australia</b> |         | DAX 30             | 22,410       |        |
| <b>RATES</b>      |        | Mid                |         | Mid              |         | Nikkei             | 38,238       |        |
| 30 day bank bills |        | 3.87%              |         | 4.14%            |         | <b>COMMODITIES</b> |              |        |
| 90 day bank bills |        | 3.75%              |         | 4.17%            |         |                    | <b>USD</b>   |        |
| 1 year swap       |        | 3.48%              |         | 3.87%            |         | Brent Crude        | 72.94        |        |
| 2 year swap       |        | 3.53%              |         | 3.77%            |         | Gold               | 2,909.61     |        |
| 3 year swap       |        | 3.62%              |         | 3.76%            |         | Silver             | 31.59        |        |
| 5 year swap       |        | 3.79%              |         | 4.05%            |         | Iron Ore           | 107.19       |        |
| 10 year swap      |        | 4.17%              |         | 4.36%            |         | CRB Index          | 373.32       |        |
| 3 year Govt bond  |        | 3.85%              |         | 3.86%            |         |                    | <b>NZD</b>   |        |
| 5 year Govt bond  |        | 4.12%              |         | 4.03%            |         | NZ Carbon          | 63.20        |        |
| 10 year Govt bond |        | 4.63%              |         | 4.51%            |         |                    |              |        |

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