

Market Alert

Friday 28 February 2025

CURRENCIES	Spot	6mths
NZD/USD	0.5646	0.0023
NZD/AUD	0.9028	0.0024
NZD/JPY	84.720	-1.35
NZD/EUR	0.5421	-0.0034
NZD/GBP	0.4472	0.0019
NZD/CNH	4.1194	-0.0259
AUD/USD	0.6252	0.0009
AUD/EUR	0.6003	-0.0053
EUR/USD	1.0414	0.0107
USD/CNH	7.2965	-0.0759
GBP/USD	1.2622	-0.0003
EUR/GBP	0.8247	0.0084

INT RATES	NZ	Australia
OCR/Cash	3.75%	4.10%
90 day bills	3.76%	4.17%
2 year swap	3.48%	3.76%
10 year Govt	4.64%	4.44%

There is nothing worse than ...

... than working from a different desk. And while this morning's view is exquisite, I'm sitting in a nice big leather chair. Now, while I may be looking like some type of Bond villain, the issue is my elbows. You see, when I type, I'm an 'elbows out kind of guy.' No problem there you may say, but this morning it's quite clammy, and my elbows are 'sticking' to the leather!

The biggest headline overnight

... reverted, once again, to a certain well-suntanned President, who confirmed he still plans to impose tariffs on Canadian and Mexican imports starting from Tuesday, in addition to doubling the 10% universal tariff charged on imports from China to 20%.

This immediately impacted investor sentiment, which saw equity markets

turn negative, in the region of 0.3% to 0.8%. The USD-index gapped back above the 107.00 level, which 'hurt' the NZD and AUD as they fell 0.8% back below their key 0.5700 and 0.6300 levels. US bonds were also sold, which saw the 2 and 10-year yields firm 2bps and 3bps to the 4.10% and 4.29%.

But away from the speculative element of the current environment, and to the actual data releases, it wasn't too bad after the second US Q4 GDP release reaffirmed the US economy had expanded at an annualised rate of 2.3%. While that would have been welcomed in NZ, it is the lowest rate in three quarters for the US, and down from Q3's 3.1%. Initial jobless claims also soared by 22k to its highest level in 2 months at 242k, while pending home sales fell 4.6% in January. Finally, the Kansas City's manufacturing index firmed from -9 to -5.

The ECB minutes from its January meeting reiterated that inflation remains on track to reach its 2.0% target, although it also reaffirmed recent statements from various Governing Council members advocating for a more cautious approach given rates have been already significantly lowered.

The PBoC's Deputy Governor, Lu Lei, suggested the central bank may help the major state-owned banks via the issuance of special treasury bonds to, "Strengthen bank's capital reserves and enhance its ability to manage risks and support the real economy." He also suggested the central bank could, "Support and direct funding towards the tech and manufacturing industries."

Australian capex investment plummeted from 1.1% to -0.2% in Q3. Expectations had been for a 0.8% increase.

The latest NZ business survey highlighted that confidence had risen by 4pips to 58.4 in February. In amongst the details, own anticipated activity eased 1pip to 45.1, the prior own activity index, which is a good indicator GDP, fell 3 points to -2.9, while the 1-year inflation predictor eased from 2.7% to 2.5%.

OPEC+ is hesitant on pushing ahead with its planned April output increase in oil production due to uncertainty over sanctions and tariffs.

In the who said what corner ...

Noted Fed hawk, Beth Hammack, announced, "The Fed is likely to hold rates steady for some time. A further easing in inflation is far from certain and upside risks abound. Easing inflation has been uneven and has slowed. I would like further evidence inflation is moving to 2.0% before supporting more cuts. Fed policy does not appear to be 'meaningfully restrictive.' Broad financial conditions are accommodative right now."

BoJ Governor, Kazuo Ueda, confirmed, "There is still uncertainty on US tariff policy and how other countries will respond, so we need to scrutinize developments in gauging impact on global and Japanese economies. We will make decisions on monetary policy after scrutinizing the impact of US policies on markets, the economy, and prices."



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Daily Rates

Friday 28 February 2025

FX	Spot	FECs (mid)				Spot Mid	
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...
NZ TWI	67.80					CAD	0.8139 0.9023
NZD/USD	0.5646	0.0003	0.0011	0.0023	0.0045	CHF	0.5075 0.5623
NZD/AUD	0.9028	0.0002	0.0010	0.0024	0.0046	CNY	4.1129 4.5552
NZD/JPY	84.720	-0.26	-0.72	-1.35	-2.49	DKK	4.0418 4.4772
NZD/EUR	0.5421	-0.0006	-0.0017	-0.0034	-0.0070	FJD	1.2795 1.4174
NZD/GBP	0.4472	0.0002	0.0009	0.0019	0.0036	HKD	4.3893 4.8622
						KRW	817.08 905.10
AU TWI	59.90					MYR	2.5065 2.7765
AUD/USD	0.6252	0.0001	0.0004	0.0009	0.0015	NOK	6.3379 7.0207
AUD/NZD	1.1071	-0.0004	-0.0014	-0.0034	-0.0067	SEK	6.0532 6.7053
AUD/JPY	94.26	-0.31	-0.91	-1.74	-3.25	SGD	0.7602 0.8421
AUD/EUR	0.6003	-0.0008	-0.0026	-0.0053	-0.0108	TWD	18.54 20.54
AUD/GBP	0.4951	0.0001	0.0004	0.0007	0.0012	ZAR	10.41 11.53
USD Index	107.16					EQUITIES	
EUR/USD	1.0414	0.0016	0.0051	0.0107	0.0216		Index
USD/JPY	150.04	-0.53	-1.55	-2.99	-5.55	NZX50	12,541
GBP/USD	1.2622	-0.0001	-0.0002	-0.0003	-0.0005	ASX200	8,268
EUR/GBP	0.8247	0.0013	0.0042	0.0084	0.0172	Dow Jones	43,662
USD/CNY	7.2853	-0.0149	-0.0468	-0.0983	-0.2045	S&P 500	5,958
						FTSE100	8,756
						DAX 30	22,551
						Nikkei	38,256
INTEREST RATES			New Zealand		Australia		
			Mid		Mid		
30 day bank bills			3.87%		4.14%		
90 day bank bills			3.76%		4.17%		
1 year swap			3.44%		3.87%		
2 year swap			3.49%		3.77%		
3 year swap			3.58%		3.76%		
5 year swap			3.74%		4.03%		
10 year swap			4.12%		4.33%		
3 year Govt bond			3.82%		3.83%		
5 year Govt bond			4.11%		3.98%		
10 year Govt bond			4.64%		4.44%		
						COMMODITIES	
							USD
						Brent Crude	74.04
						Gold	2,886.31
						Silver	31.48
						Iron Ore	107.15
						CRB Index	369.45
							NZD
						NZ Carbon	63.50

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