

Market Alert

Wednesday 05 March 2025

CURRENCIES	Spot	6mths
NZD/USD	0.5633	0.0023
NZD/AUD	0.9035	0.0023
NZD/JPY	84.055	-1.34
NZD/EUR	0.5321	-0.0032
NZD/GBP	0.4408	0.0020
NZD/CNH	4.0926	-0.0286
AUD/USD	0.6233	0.0008
AUD/EUR	0.5887	-0.0052
EUR/USD	1.0587	0.0106
USD/CNH	7.2657	-0.0802
GBP/USD	1.2778	-0.0006
EUR/GBP	0.8284	0.0086

INT RATES	NZ	Australia
OCR/Cash	3.75%	4.10%
90 day bills	3.73%	4.17%
2 year swap	3.39%	3.68%
10 year Govt	4.54%	4.37%

The storm

Overnight Trump implemented his promised 25% tariffs on Mexican and Canadian imports and an increase to 20% on Chinese imports, and as you would expect equity markets did not take favourably to this. US equities saw a continuation of the past week's sell off, with the S&P 500 down another 1.1% overnight and wiping out all of the gains it had made since Trump was elected in November.

With Americans diligently aware of their Roth IRA and 401k pension balances, this undoubtedly would have hurt many pockets. As is the case in NZ with housing, when you feel wealthier because your house value has jumped, you spend more. The current caution could perpetuate

through the US economy - as Roth IRA and 401k balances decline, so may people's spending habits. Growth concerns have markets increasing the likelihood of Fed cuts, with three Fed cuts now priced in for 2025. The inflationary aspect of the tariffs will however leave the US central bank in a tough spot.

This is likely only the beginning, with Canada promising retaliatory tariffs immediately, with more tariffs scheduled later this month. Canadian Prime Minister, Justin Trudeau, has stated that Canada will not back down from a fight. Somewhat comically, Trump has said that he will put reciprocal tariffs on Canada's retaliatory tariffs to Trump's tariffs - when will this end! The Mexican peso and Canada's loonie led losses in major currencies overnight. It has been a volatile time for the NZD/USD, which currently sits near the top of the 0.5600 to 0.5640 range seen over the past 24 hours. It's a similar dynamic for the AUD/USD, which is lifting back towards the 0.6240 level.

In the East

Today marks the start of China's 14th National People's Congress (NPC) which is where thousands of political and important personnel gather in Beijing for the week to talk all things politics. In amongst all the chit-chat markets will be trying to decipher how much and where fiscal stimulus will be put in place, how President Xi will respond to Trump's tariffs, annual targets and any other

titbits that can be gained through the press conference.

Antipodean focus

Overnight the GDT auction was mixed with the overall GDT Index down 0.5. Breaking down the products, key indicator WMP was down 2.2% which was not as bad as implied by the futures pricing. SMP prices were up 0.6%, while Lactose prices increased by a spectacular 14.0%.

Today we have a Australia's Q4 GDP data, which will be watched carefully by the RBA and markets. Previous releases have shown benign growth, which helped sell the case for a February rate cut. Current expectations are for GDP to increase by 1.2% annually, an improvement from the September quarter's 0.8% increase. Any downside surprise could see markets move to price in a more aggressive cutting cycle by the RBA. Markets are currently pricing another 70bps of cuts over 2025, implying a cash rate below 3.50% by the end of the year.



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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	67.10					CAD	0.8167 0.8982
NZD/USD	0.5633	0.0003	0.0011	0.0023	0.0042	CHF	0.5007 0.5545
NZD/AUD	0.9035	0.0002	0.0010	0.0023	0.0046	CNY	4.0886 4.5257
NZD/JPY	84.055	-0.27	-0.72	-1.34	-2.43	DKK	3.9673 4.3914
NZD/EUR	0.5321	-0.0006	-0.0016	-0.0032	-0.0064	FJD	1.2830 1.4201
NZD/GBP	0.4408	0.0002	0.0009	0.0020	0.0037	HKD	4.3763 4.8442
						KRW	819.91 907.57
AU TWI	59.10					MYR	2.5137 2.7824
AUD/USD	0.6233	0.0002	0.0004	0.0008	0.0007	NOK	6.2821 6.9537
AUD/NZD	1.1068	-0.0003	-0.0014	-0.0032	-0.0064	SEK	5.9041 6.5353
AUD/JPY	92.53	-0.32	-0.90	-1.74	-3.19	SGD	0.7547 0.8354
AUD/EUR	0.5887	-0.0008	-0.0025	-0.0052	-0.0103	TWD	18.48 20.45
AUD/GBP	0.4878	0.0002	0.0004	0.0008	0.0016	ZAR	10.43 11.54
USD Index	105.77					EQUITIES	
EUR/USD	1.0587	0.0017	0.0051	0.0106	0.0204		Index
USD/JPY	149.21	-0.55	-1.55	-2.98	-5.40	NZX50	12,470
GBP/USD	1.2778	-0.0001	-0.0003	-0.0006	-0.0021	ASX200	8,198
EUR/GBP	0.8284	0.0014	0.0042	0.0086	0.0174	Dow Jones	42,880
USD/CNY	7.2651	-0.0160	-0.0462	-0.0985	-0.2005	S&P 500	5,814
						FTSE100	8,759
INTEREST		New Zealand		Australia		DAX 30	22,327
RATES		Mid		Mid		Nikkei	37,331
30 day bank bills		3.87%		4.14%		COMMODITIES	
90 day bank bills		3.73%		4.17%			USD
1 year swap		3.38%		3.82%		Brent Crude	71.11
2 year swap		3.44%		3.69%		Gold	2,912.19
3 year swap		3.51%		3.70%		Silver	31.87
5 year swap		3.68%		3.99%		Iron Ore	100.81
10 year swap		4.08%		4.32%		CRB Index	363.73
3 year Govt bond		3.72%		3.74%			NZD
5 year Govt bond		4.01%		3.90%		NZ Carbon	62.75
10 year Govt bond		4.54%		4.37%			

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