

Market Alert

Friday 07 March 2025

CURRENCIES	Spot	6mths
NZD/USD	0.5738	0.0023
NZD/AUD	0.9060	0.0024
NZD/JPY	84.775	-1.35
NZD/EUR	0.5320	-0.0031
NZD/GBP	0.4453	0.0020
NZD/CNH	4.1579	-0.0305
AUD/USD	0.6333	0.0007
AUD/EUR	0.5872	-0.0050
EUR/USD	1.0785	0.0103
USD/CNH	7.2456	-0.0810
GBP/USD	1.2885	-0.0008
EUR/GBP	0.8369	0.0085

INT RATES	NZ	Australia
OCR/Cash	3.75%	4.10%
90 day bills	3.72%	4.17%
2 year swap	3.44%	3.74%
10 year Govt	4.73%	4.59%

Who else would we be talking about?

Unsurprisingly, the US has confirmed a tariff agreement with Mexico, or maybe a postponement is a better word. Mexico will not be required to pay tariffs on all goods within the US Mexico Canada Trade Agreement ("USMCA"), until 2 April. This happy turn of events means the rally planned for Sunday in Mexico City will now be a "festival", the Mexican President has announced.

As at the time of writing we are currently waiting on an announcement from a meeting between Trump and Trudeau, which will most likely end in the same resolution, however there is some market grumbling that the announcement is taking longer than expected which is causing some uneasiness in the markets.

As Trudeau is being replaced on Sunday, he may be willing to die on his sword, as the tariff war is playing well in Canadian polls. As you would expect, when 2 April rolls around the corner which won't be long, we will have to go through all of this again.

Markets were mixed again overnight, with the USD Index marginally lower, which left the NZD/USD and AUD/USD largely unchanged, as was the case for US Treasury yields. This is likely markets pausing before tonight's US non-farm payrolls data, which has the real possibility of moving markets if it prints too wide of the current 142k expected. US equity indexes saw a continuation of the 'risk off' selling, notably the S&P500 and Nasdaq100 reached year-to-date lows, and are at their lowest levels since Trump's election win.

Tariff threats influencing US imports

The US had a wider trade deficit than expected in January, at USD-131.4bn over the month against forecasts of -128.3bn, made up of 269.8bn of exports and a much greater 401.2bn of imports. This was a 34% increase from the December month. Of note to tariffs, the US had trade deficits with China, Mexico, and Canada of -USD29.7bn, USD-25.5bn, and USD-11.3bn, respectively, with companies most likely frontrunning their imports as they prepared for tariffs to come into effect.

Australia also released their trade surplus data for January yesterday, with net exports of AUD5.62bn, although this was lower than forecasts of AUD5.85bn. Exports rose by 1.3% over January, while imports fell -0.3%. Again, exports to the US were most likely strengthened due to frontrunning ahead of threats of tariffs, with other significant trading partners seeing significantly lower trade flows.

ECB cut

US Overnight the European Central Bank ("ECB") cut rates by 25bp across its fleet of interest rates, lowering the key Deposit Facility Rate at 2.50%. ECB members had previously been dovish in their commentary, unsure of how low they may need to lower interest rates. Last night's meeting saw a noteworthy change in the rhetoric, with ECB members stating that their monetary policy stance is "meaningfully less restrictive", with a 'leak' stating that the chance of a pause in rate cuts in April is growing. However, 2.50% is unlikely to be the bottom of the current easing cycle for the ECB, and furthermore, markets already saw the chance of a rate cut at the ECB's April meeting as a 50/50.

Retail sales data for January reinforced the decision, coming in lower than expected at -0.3% over January and 1.5% over the year against forecasts of an increase of 0.1% and 1.9%, respectively, showing weakening demand among European consumers.



BANCORP

BANCORP TREASURY SERVICES LIMITED

Barrington
TREASURY SERVICES

Barrington
ASSET CONSULTING



BANCORP

BANCORP CORPORATE FINANCE LIMITED

Daily Rates

Friday 07 March 2025

FX	Spot	FECs (mid)				Spot Mid	
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...
NZ TWI	67.80					CAD	0.8207 0.8982
NZD/USD	0.5738	0.0003	0.0011	0.0023	0.0040	CHF	0.5065 0.5594
NZD/AUD	0.9060	0.0002	0.0011	0.0024	0.0046	CNY	4.1527 4.5849
NZD/JPY	84.775	-0.26	-0.71	-1.35	-2.47	DKK	3.9665 4.3793
NZD/EUR	0.5320	-0.0006	-0.0016	-0.0031	-0.0060	FJD	1.2945 1.4292
NZD/GBP	0.4453	0.0003	0.0009	0.0020	0.0039	HKD	4.4579 4.9219
						KRW	830.19 916.60
AU TWI	60.10					MYR	2.5382 2.8024
AUD/USD	0.6333	0.0001	0.0004	0.0007	0.0010	NOK	6.2455 6.8956
AUD/NZD	1.1035	-0.0003	-0.0014	-0.0032	-0.0063	SEK	5.8446 6.4529
AUD/JPY	93.71	-0.31	-0.91	-1.73	-3.20	SGD	0.7643 0.8438
AUD/EUR	0.5872	-0.0008	-0.0025	-0.0050	-0.0098	TWD	18.86 20.82
AUD/GBP	0.4915	0.0002	0.0004	0.0008	0.0016	ZAR	10.41 11.49
USD Index	104.20					EQUITIES	
EUR/USD	1.0785	0.0017	0.0052	0.0103	0.0195		Index
USD/JPY	147.74	-0.53	-1.52	-2.90	-5.28	NZX50	12,429
GBP/USD	1.2885	-0.0001	-0.0003	-0.0008	-0.0025	ASX200	8,095
EUR/GBP	0.8369	0.0014	0.0041	0.0085	0.0168	Dow Jones	42,488
USD/CNY	7.2468	-0.0159	-0.0478	-0.0985	-0.2010	S&P 500	5,730
						FTSE100	8,683
INTEREST			New Zealand		Australia	DAX 30	23,419
RATES			Mid		Mid	Nikkei	37,705
30 day bank bills			3.87%		4.14%	COMMODITIES	
90 day bank bills			3.72%		4.17%		USD
1 year swap			3.40%		3.84%	Brent Crude	69.36
2 year swap			3.49%		3.75%	Gold	2,917.02
3 year swap			3.59%		3.75%	Silver	32.66
5 year swap			3.79%		4.06%	Iron Ore	100.72
10 year swap			4.23%		4.39%	CRB Index	365.26
3 year Govt bond			3.85%		3.88%		NZD
5 year Govt bond			4.17%		4.06%	NZ Carbon	61.50
10 year Govt bond			4.73%		4.59%		

This document has been prepared by Bancorp Treasury Services Limited ("BTSL"). Whilst all reasonable care has been taken to ensure the facts stated are accurate and the opinions given are fair and reasonable, neither BTSL nor any of its directors, officers or employees shall in any way be responsible for the contents. No liability is assumed by BTSL, its directors, officers or employees for action taken or not taken on the basis of this document.



BANCORP
BANCORP TREASURY SERVICES LIMITED

Barrington
TREASURY SERVICES

Barrington
ASSET CONSULTING



BANCORP
BANCORP CORPORATE FINANCE LIMITED