

Market Alert

Tuesday 11 March 2025

CURRENCIES	Spot	6mths
NZD/USD	0.5694	0.0023
NZD/AUD	0.9082	0.0024
NZD/JPY	83.820	-1.31
NZD/EUR	0.5262	-0.0031
NZD/GBP	0.4426	0.0020
NZD/CNH	4.1397	-0.0317
AUD/USD	0.6268	0.0007
AUD/EUR	0.5792	-0.0050
EUR/USD	1.0821	0.0104
USD/CNH	7.2638	-0.0839
GBP/USD	1.2862	-0.0008
EUR/GBP	0.8410	0.0086

INT RATES	NZ	Australia
OCR/Cash	3.75%	4.10%
90 day bills	3.70%	4.16%
2 year swap	3.42%	3.67%
10 year Govt	4.68%	4.56%

Risk off is the motion

Last week US Treasury Secretary, Scott Bessent, stated *"There's going to be a natural adjustment as we move away from public spending to private spending; the market and the economy have just become hooked. We've become addicted to this government spending, and there's going to be a detox period."* This appears to be already happening, as markets contemplate the effects of Trump's tariffs and a tightening fiscal budget leading to a further risk off movement overnight.

This time, unlike the past few weeks, the sell-off was not limited to US bourses, which were lower across the board with

the Nasdaq, S&P500 and DJI down 4.3%, 2.9%, and 2.5%, respectively. This saw all three indices post fresh year-to-date lows, now sitting well below the level that they were at pre-Trump, with the Nasdaq having its worst day since 2022. This will dampen consumer sentiment, and the US consumer is strongly tied to equity markets. European bourses have been strong recently, on the proposal of increased defence spending, the removal of the German debt 'handbrake' and reallocation from US markets as major banks such as HSBC upgraded their European outlook, but they also succumbed to the risk-off mood, posting losses across the board.

The sell-off was largely limited to equities, as the usual safe haven assets, the USD and US Treasuries, saw demand. The USD index was slightly up, to 103.98. As is usually the case, risk-off sentiment is not good for commodity currencies such as the NZD/USD & AUD/USD, with the NZD/USD now just below the 0.5700 level, while the AUD/USD softened further and is now sitting comfortably below the 0.6300 level. US Treasuries were in demand, which saw yields fall markedly across the board with the 2-year 11bp lower at 3.89%, while the 10-year yield fell 8bp to 4.22%. This should see local swap rates open lower this morning.

Escalation

In a trade war it is rare that anybody really wins. Ontario Canada has added its two cents to the game by adding a 25% surcharge to all electricity to the US. Ontario Premier, Doug Ford, has said that he would not hesitate to raise the charge or cut off exports altogether, for the approximately 1.5 million US homes that currently rely on power from Ontario.

However, Trump's Economic Advisor, Kevin Hassett has stated that trade policy uncertainty will be resolved in early April. Not sure if we should believe that!

It then comes as no surprise that the NY Fed inflation expectations survey showed that one-year inflation expectations have increased from 3.0% to 3.1%, although this did not translate to the 3&5-year expectations, which remained at 3.0%, the survey also showed that consumers were worried about the credit and job markets.



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Daily Rates

Tuesday 11 March 2025

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	67.60					CAD	0.8236	0.8982
NZD/USD	0.5694	0.0003	0.0011	0.0023	0.0038	CHF	0.5016	0.5524
NZD/AUD	0.9082	0.0003	0.0011	0.0024	0.0036	CNY	4.1325	4.5492
NZD/JPY	83.820	-0.27	-0.71	-1.31	-2.44	DKK	3.9238	4.3201
NZD/EUR	0.5262	-0.0006	-0.0016	-0.0031	-0.0062	FJD	1.2901	1.4203
NZD/GBP	0.4426	0.0003	0.0009	0.0020	0.0037	HKD	4.4221	4.8687
						KRW	830.43	914.31
AU TWI	59.80					MYR	2.5169	2.7711
AUD/USD	0.6268	0.0002	0.0004	0.0007	0.0006	NOK	6.1424	6.7628
AUD/NZD	1.1003	-0.0004	-0.0015	-0.0034	-0.0070	SEK	5.7740	6.3572
AUD/JPY	92.86	-0.33	-0.89	-1.69	-3.18	SGD	0.7596	0.8363
AUD/EUR	0.5792	-0.0009	-0.0025	-0.0050	-0.0100	TWD	18.73	20.62
AUD/GBP	0.4872	0.0002	0.0004	0.0008	0.0013	ZAR	10.45	11.51
USD Index	104.03					EQUITIES		
EUR/USD	1.0821	0.0019	0.0053	0.0104	0.0195		Index	
USD/JPY	147.20	-0.56	-1.52	-2.87	-5.17	NZX50	12,516	
GBP/USD	1.2862	-0.0001	-0.0002	-0.0008	-0.0027	ASX200	7,962	
EUR/GBP	0.8410	0.0015	0.0041	0.0086	0.0168	Dow Jones	41,760	
USD/CNY	7.2591	-0.0170	-0.0476	-0.0983	-0.1980	S&P 500	5,582	
						FTSE100	8,600	
INTEREST		New Zealand		Australia		DAX 30	22,621	
RATES		Mid		Mid		Nikkei	37,028	
30 day bank bills		3.87%		4.14%		COMMODITIES		
90 day bank bills		3.70%		4.16%			USD	
1 year swap		3.37%		3.80%		Brent Crude	69.14	
2 year swap		3.44%		3.68%		Gold	2,883.26	
3 year swap		3.53%		3.68%		Silver	31.94	
5 year swap		3.73%		4.00%		Iron Ore	101.29	
10 year swap		4.16%		4.33%		CRB Index	366.51	
3 year Govt bond		3.78%		3.85%			NZD	
5 year Govt bond		4.10%		4.03%		NZ Carbon	62.00	
10 year Govt bond		4.68%		4.56%				

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