

# Market Alert

Thursday 20 March 2025

| CURRENCIES | Spot   | 6mths   |
|------------|--------|---------|
| NZD/USD    | 0.5806 | 0.0025  |
| NZD/AUD    | 0.9140 | 0.0025  |
| NZD/JPY    | 86.555 | -1.33   |
| NZD/EUR    | 0.5330 | -0.0032 |
| NZD/GBP    | 0.4470 | 0.0020  |
| NZD/CNH    | 4.1998 | -0.0367 |
| AUD/USD    | 0.6351 | 0.0009  |
| AUD/EUR    | 0.5829 | -0.0052 |
| EUR/USD    | 1.0893 | 0.0111  |
| USD/CNH    | 7.2316 | -0.0932 |
| GBP/USD    | 1.2990 | -0.0004 |
| EUR/GBP    | 0.8384 | 0.0087  |

  

| INT RATES    | NZ    | Australia |
|--------------|-------|-----------|
| OCR/Cash     | 3.75% | 4.10%     |
| 90 day bills | 3.67% | 4.17%     |
| 2 year swap  | 3.44% | 3.70%     |
| 10 year Govt | 4.70% | 4.54%     |

## This morning's Fed meeting ...

... saw the FOMC maintain the Fed Funds target range at 4.25% - 4.50%. The 'dot plot' interest rate projections highlighted officials expected two further 25bps cuts by year end, which was the same as per the December statement. The statement also noted that "uncertainty around the economic outlook has increased" and removed all references that the risks, "are roughly in balance."

The Fed also announced it will slow the pace of its balance sheet sell-down of securities (US Treasuries and bills) in April from USD25bn to USD5bn per month, although the sell-off of agency debt and mortgage-backed securities will be maintained at USD35bn. Governor Christopher Waller dissented, voting

in favour of maintaining the pace of balance-sheet runoff. The Fed also updated its economic projections, with policymakers now seeing both headline and core prices advancing at a faster rate than previously - lifting its 2025 inflation forecast from 2.5% to 2.8%. It also lifted its unemployment forecast from 4.3% to 4.4% and lowered its growth forecast from 2.1% to 1.7%.

Reading between the lines, while the median dot plot projects remain the same at two 25bps rate cuts this year, there is a high level of uncertainty over the future path. Despite the recent deterioration in consumer and business confidence, the Fed's ability to cut rates is being constrained by indicators showing a surge in inflation expectations.

In the Q&A session, Chair Jerome Powell described the new 1.7% GDP forecast as "somewhat lower" than the prior 2.5%, suggesting "It's too soon to say whether they can look through any initial tariff-related inflation hit." He also added the risks of a recession have, "moved up, but it's not high," adding he believes the Fed will get clarity on the economy over the next few months stating, "We'll be adapting as we go!"

## Over the course of the meeting and Q&A session ...

... markets have been volatile but are starting to settle down now. The NZD/USD fell to a low of 0.5776, although it is currently back above

the 0.5800 level, while the USD-index challenged the 104.00 level but has since fallen back below the 103.50 line.

Interestingly, there hasn't been a great deal of movement in bond markets with treasury yields falling with the 2-years -6bps lower at 3.99% while the 10-years has backed off -3bps to 4.26%. This will see local swap rates open a touch lower.

Gold has been a major beneficiary, firming towards the USD3050 level, while equity markets are all higher firming, 0.5%-1.5%.

## In other news, the Bank of Japan

... unanimously voted to keep its policy rate unchanged at 0.50%. The BoJ statement showed that its assessment of inflation and growth hasn't changed much however there was much more emphasis on the uncertainties surrounding US trade policy. Governor Kazuo Ueda did not indicate when the next rate hike might occur, but he emphasised the central bank's commitment to its normalisation strategy.

Eurozone wage growth rose 4.1% year-on-year in Q4.

Now ... the focus will turn to this morning's 10:45am GDP release.



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# Daily Rates

Thursday 20 March 2025

| FX                | Spot   | FECs (mid)         |         |                  |         | Spot Mid           |               |
|-------------------|--------|--------------------|---------|------------------|---------|--------------------|---------------|
|                   | Mid    | 1mth               | 3mths   | 6mths            | 12mths  | NZD/...            | AUD/...       |
| NZ TWI            | 68.70  |                    |         |                  |         | CAD                | 0.8310 0.8982 |
| NZD/USD           | 0.5806 | 0.0004             | 0.0012  | 0.0025           | 0.0044  | CHF                | 0.5099 0.5582 |
| NZD/AUD           | 0.9140 | 0.0003             | 0.0012  | 0.0025           | 0.0046  | CNY                | 4.1965 4.5904 |
| NZD/JPY           | 86.555 | -0.26              | -0.71   | -1.33            | -2.48   | DKK                | 3.9739 4.3485 |
| NZD/EUR           | 0.5330 | -0.0006            | -0.0017 | -0.0032          | -0.0064 | FJD                | 1.3051 1.4282 |
| NZD/GBP           | 0.4470 | 0.0003             | 0.0010  | 0.0020           | 0.0037  | HKD                | 4.5099 4.9350 |
|                   |        |                    |         |                  |         | KRW                | 847.79 927.69 |
| AU TWI            | 60.20  |                    |         |                  |         | MYR                | 2.5723 2.8148 |
| AUD/USD           | 0.6351 | 0.0002             | 0.0005  | 0.0009           | 0.0015  | NOK                | 6.1302 6.7080 |
| AUD/NZD           | 1.0933 | -0.0004            | -0.0015 | -0.0033          | -0.0063 | SEK                | 5.8634 6.4160 |
| AUD/JPY           | 94.64  | -0.31              | -0.91   | -1.74            | -3.20   | SGD                | 0.7724 0.8452 |
| AUD/EUR           | 0.5829 | -0.0009            | -0.0026 | -0.0052          | -0.0100 | TWD                | 19.16 20.97   |
| AUD/GBP           | 0.4889 | 0.0002             | 0.0004  | 0.0007           | 0.0016  | ZAR                | 10.51 11.50   |
| USD Index         | 103.46 |                    |         |                  |         | <b>EQUITIES</b>    |               |
| EUR/USD           | 1.0893 | 0.0018             | 0.0055  | 0.0111           | 0.0213  |                    | <b>Index</b>  |
| USD/JPY           | 149.07 | -0.53              | -1.53   | -2.96            | -5.37   | NZX50              | 12,046        |
| GBP/USD           | 1.2990 | -0.0001            | -0.0002 | -0.0004          | -0.0019 | ASX200             | 7,828         |
| EUR/GBP           | 0.8384 | 0.0015             | 0.0044  | 0.0087           | 0.0171  | Dow Jones          | 42,124        |
| USD/CNY           | 7.2301 | -0.0156            | -0.0492 | -0.1000          | -0.2030 | S&P 500            | 5,693         |
|                   |        |                    |         |                  |         | FTSE100            | 8,707         |
| <b>INTEREST</b>   |        | <b>New Zealand</b> |         | <b>Australia</b> |         | DAX 30             | 23,288        |
| <b>RATES</b>      |        | Mid                |         | Mid              |         | Nikkei             | 37,752        |
| 30 day bank bills |        | 3.78%              |         | 4.14%            |         | <b>COMMODITIES</b> |               |
| 90 day bank bills |        | 3.67%              |         | 4.17%            |         |                    | <b>USD</b>    |
| 1 year swap       |        | 3.41%              |         | 3.83%            |         | Brent Crude        | 70.90         |
| 2 year swap       |        | 3.48%              |         | 3.71%            |         | Gold               | 3,047.78      |
| 3 year swap       |        | 3.57%              |         | 3.71%            |         | Silver             | 33.87         |
| 5 year swap       |        | 3.76%              |         | 4.01%            |         | Iron Ore           | 102.42        |
| 10 year swap      |        | 4.18%              |         | 4.34%            |         | CRB Index          | 371.74        |
| 3 year Govt bond  |        | 3.80%              |         | 3.84%            |         |                    | <b>NZD</b>    |
| 5 year Govt bond  |        | 4.12%              |         | 4.02%            |         | NZ Carbon          | 60.00         |
| 10 year Govt bond |        | 4.70%              |         | 4.54%            |         |                    |               |

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