

Market Alert

Wednesday 26 March 2025

CURRENCIES	Spot	6mths
NZD/USD	0.5731	0.0026
NZD/AUD	0.9099	0.0026
NZD/JPY	85.895	-1.32
NZD/EUR	0.5308	-0.0032
NZD/GBP	0.4427	0.0022
NZD/CNH	4.1641	-0.0341
AUD/USD	0.6297	0.0009
AUD/EUR	0.5832	-0.0053
EUR/USD	1.0797	0.0112
USD/CNH	7.2659	-0.0917
GBP/USD	1.2943	-0.0007
EUR/GBP	0.8340	0.0090

INT RATES	NZ	Australia
OCR/Cash	3.75%	4.10%
90 day bills	3.63%	4.16%
2 year swap	3.38%	3.63%
10 year Govt	4.67%	4.55%

In a move that got me thinking

and let's be honest, it normally takes a lot to get me thinking ... with Queensland hosting the 2032 Olympics' crocodile habitat, the Fitzroy River has been chosen to host the Olympic and Paralympic rowing!

First, the good news ...

Russia and Ukraine have agreed to a US-brokered 'ceasefire at sea' deal covering the Black Sea, which will allow Ukraine the ability to ship its grain and agricultural products to markets.

And then the 'not-so-good' news ...

- US Conference Board consumer expectations survey plunged to a 12-year low, falling from an upwardly revised 100.1 to 92.9, which was below expectations at 94.0. Expectations for the next 6 months dropped nearly 10 points to 65.2, although the gauge of present

conditions declined more modestly, while the 1-year inflation expectations index rose again - from 5.8% to 6.2%.

- For the fourth consecutive month, market demand expectations worsened in the business-related services sector, falling from -1.9 to -7.6.
- The Richmond Feds manufacturing composite index fell from +6 to -4.
- The S&P CoreLogic Case-Shiller 20-city US house price index rose 4.7% in the year to January, up from December's 4.5% increase, but just short of the expected 4.8% increase.
- US new home sales rebounded in February, gaining 1.8% to 676k, up from January's revised -6.9% drop.

• The German Ifo Business sentiment index rose to 86.7 in March, which was its highest level since July. Business sentiment improved as companies grew more optimistic, while firms' assessment of the current business situation improved as well.

• UK retail sales dropped by 18 points to -41.0 in March, its lowest level since April 2024 and significantly below market expectations of -28.0.

• The latest Australian federal budget announcement introduced 2 new rounds of tax cuts, worth roughly AUD17bn through to the 2028-29 fiscal year.

Fed Governor, Adriana Kugler suggested, "Progress on bringing inflation to target has slowed since last summer. It is estimated that 12-month PCE was at 2.5% in February. Surveys show consumers are expecting further increases in the near term, with the uncertainty tied to trade policy."

ECB member Francois Villeroy de Galhau announced "The pace and extent of ECB easing remain open. The ECB still has the scope to ease policy. There are no significant inflation effect in the EU from tariffs."

The BoJ minutes from their January meeting saw most members agree that the likelihood of inflation hitting its 2.0% target has been rising, with various members highlighting that if underlying inflation increased, the central bank would likely need to raise its policy rate settings accordingly.

As we approach the 2nd April deadline, the FT has reported that President Trump is considering a 'two-step approach' that would start with emergency powers, and then shift to Section 338 tariffs. This 'two-step approach' would split the implementation into two stages with, 1) targeted emergency tariffs implemented immediately to raise money for the planned tax cuts and, 2) a second round of tariffs after his administration has completed probes into trading partners to provide a more robust legal framework to deploy 'reciprocal' tariffs. From an NZ and Australian point of view, I suspect we'd be in the second group with the can kicked down the road to later in 2025.

Overall ... not much has changed!

Bond markets reversed yesterday's gains with the US 2 and 10-years falling -3bps to yield 4.01% and 4.31%. The USD-index is a 'smidge' lower, which saw the NZD and AUD make modest gains. US equity markets are flat, while the European bourses played 'catch-up' firming 1.25%-1.75%, while commodity prices are 'steady Eddie.'



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Daily Rates

Wednesday 26 March 2025

FX	Spot	FECs (mid)				Spot Mid	
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...
NZ TWI	68.00					CAD	0.8190 0.8982
NZD/USD	0.5731	0.0004	0.0013	0.0026	0.0045	CHF	0.5055 0.5558
NZD/AUD	0.9099	0.0004	0.0013	0.0026	0.0042	CNY	4.1585 4.5708
NZD/JPY	85.895	-0.25	-0.71	-1.32	-2.46	DKK	3.9589 4.3514
NZD/EUR	0.5308	-0.0005	-0.0015	-0.0032	-0.0064	FJD	1.2956 1.4240
NZD/GBP	0.4427	0.0003	0.0010	0.0022	0.0040	HKD	4.4541 4.8957
						KRW	838.14 921.24
AU TWI	59.80					MYR	2.5402 2.7921
AUD/USD	0.6297	0.0002	0.0005	0.0009	0.0016	NOK	6.0290 6.6268
AUD/NZD	1.0987	-0.0005	-0.0018	-0.0035	-0.0066	SEK	5.7463 6.3161
AUD/JPY	94.61	-0.32	-0.92	-1.74	-3.19	SGD	0.7653 0.8412
AUD/EUR	0.5832	-0.0009	-0.0026	-0.0053	-0.0102	TWD	18.94 20.82
AUD/GBP	0.4864	0.0002	0.0004	0.0009	0.0019	ZAR	10.47 11.51
USD Index	104.17					EQUITIES	
EUR/USD	1.0797	0.0018	0.0055	0.0112	0.0213		Index
USD/JPY	149.86	-0.55	-1.57	-2.96	-5.37	NZX50	12,185
GBP/USD	1.2943	-0.0001	-0.0002	-0.0007	-0.0026	ASX200	7,943
EUR/GBP	0.8340	0.0015	0.0043	0.0090	0.0180	Dow Jones	42,475
USD/CNY	7.2569	-0.0154	-0.0465	-0.0988	-0.2026	S&P 500	5,764
						FTSE100	8,664
						DAX 30	23,110
						Nikkei	37,781
INTEREST RATES			New Zealand		Australia		
			Mid		Mid		
30 day bank bills			3.74%		4.15%		
90 day bank bills			3.63%		4.16%		
1 year swap			3.40%		3.81%		
2 year swap			3.42%		3.68%		
3 year swap			3.51%		3.69%		
5 year swap			3.72%		4.00%		
10 year swap			4.16%		4.34%		
3 year Govt bond			3.77%		3.79%		
5 year Govt bond			4.08%		3.98%		
10 year Govt bond			4.67%		4.55%		
						COMMODITIES	
							USD
						Brent Crude	72.94
						Gold	3,017.91
						Silver	33.65
						Iron Ore	102.21
						CRB Index	372.24
							NZD
						NZ Carbon	54.25

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