

Market Alert

Friday 04 April 2025

CURRENCIES	Spot	6mths
NZD/USD	0.5798	0.0026
NZD/AUD	0.9147	0.0027
NZD/JPY	84.865	-1.27
NZD/EUR	0.5252	-0.0031
NZD/GBP	0.4425	0.0021
NZD/CNH	4.1578	-0.0303
AUD/USD	0.6336	0.0009
AUD/EUR	0.5739	-0.0050
EUR/USD	1.1038	0.0110
USD/CNH	7.2788	-0.0852
GBP/USD	1.3099	-0.0005
EUR/GBP	0.8423	0.0087

INT RATES	NZ	Australia
OCR/Cash	3.75%	4.10%
90 day bills	3.59%	4.17%
2 year swap	3.27%	3.41%
10 year Govt	4.48%	4.35%

President Trump implemented reciprocal tariffs ...

... starting with a 10.0% baseline, of which New Zealand and Australian exports will be subject to, but there was a clear discrimination amongst some countries such as China, who saw their tariffs increase from 20.0% to 54.0%. Vietnam gets 46.0%, while the EU gets 20.0%. There is still some confusion on what Canada and Mexico are facing, but ultimately it depends on the product, given it could be 25.0%, or it could be 0.0% as Trump is keeping the tariff exemption on USMCA products. Beyond China, the new tariffs will not apply to products that Trump has already implemented tariffs on, such as steel, aluminium and automobiles. Energy and other certain minerals that are not available in the US will also be excluded.

Initial estimates suggested the weighted average tariff on US imports is roughly at 21.0%- pretty much the worst-case scenario.

One big question is whether these are just negotiating positions and that we should expect tariff rates to come down or whether this is revenue generation to support the extension of his prior tax cuts. Some forecasters suggest the full implementation of the tariffs could lift US inflation to 5.0%, while other reports suggest the 54.0% tariff on Chinese goods could lead to a 90.0% decrease in Chinese exports to the US by 2030. Interestingly, US Commerce Secretary Howard Lutnick has already suggested Chinese tariffs would drop 20.0% if President Xi offered fentanyl cuts.

We would expect economists to start increasing the odds of a US recession with lower growth and higher prices given the US doesn't have the manufacturing capacity to replace most/all of its imported goods, which suggests a significant pricing adjustment for US consumers. US manufacturing wages are amongst the highest in the world at an average of USD102k. In China, it is around 25.0% of that figure, Korea is at 40.0%, while Germany is less than 75.0%.

Various countries have come out strongly against the tariffs, with Canadian PM Mark Carney matching Trump's 25.0% auto tariffs while EU President von der Leyen responded with, "*The EU has always been ready to negotiate with the US, (although we are) preparing for further counter measures on US tariffs if negotiations fail. We are preparing a further*

package of measures to protect our interests." Australian PM Anthony Albanese stressed Australia imposes no tariffs on US imports, suggesting the correct tariff to apply was "0.0%," although he then added the Australian Government would not take any retaliatory action against the US tariffs.

Overall, the tariffs are worse than the market was expecting, and this has impacted the USD-index, falling -1.7%, its single biggest drop in 2-years, to reach a 6-month low. The biggest beneficiary was the CHF, which rallied 2.25%, while the JPY rose 2.0%, and EUR also outperformed by 1.75%. Interestingly, the CNH only rallied 0.25%, which held back the NZD and AUD as they underperformed. NZD/AUD firmed to the 0.9150 level.

Fixed income markets have also been volatile. The US 10-year treasury yield has fallen through its recent 4.10% low and is currently at 4.05%, down -14bps on the day, while the 2-years is -17bps lower at 3.73%. This saw Australian swap rates tumble, falling between -14bps and -17bps, although NZ swap rates were a lot more stable, falling 4bps-6bps amid a slight flattening bias on the day.

Equity markets have been 'crushed' with the S&P off -4.25% and the Nasdaq -4.75% lower, although European bourses held up better falling between -2.0% and -3.0%. Commodity prices were all lower, with oil prices plummeting after 8 OPEC+ countries unexpectedly announced they would increase oil production by 411,000 barrels per day.



BANCORP

BANCORP TREASURY SERVICES LIMITED

Barrington
TREASURY SERVICES

Barrington
ASSET CONSULTING



BANCORP

BANCORP CORPORATE FINANCE LIMITED

Daily Rates

Friday 04 April 2025

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	68.10					CAD	0.8158	0.8982
NZD/USD	0.5798	0.0004	0.0014	0.0026	0.0039	CHF	0.4990	0.5458
NZD/AUD	0.9147	0.0005	0.0014	0.0027	0.0038	CNY	4.2206	4.6139
NZD/JPY	84.865	-0.22	-0.67	-1.27	-2.42	DKK	3.9176	4.2826
NZD/EUR	0.5252	-0.0005	-0.0015	-0.0031	-0.0066	FJD	1.3230	1.4462
NZD/GBP	0.4425	0.0004	0.0011	0.0021	0.0037	HKD	4.5080	4.9280
						KRW	840.87	919.21
AU TWI	59.50					MYR	2.5734	2.8132
AUD/USD	0.6336	0.0001	0.0005	0.0009	0.0015	NOK	5.9854	6.5430
AUD/NZD	1.0928	-0.0007	-0.0019	-0.0035	-0.0056	SEK	5.6664	6.1943
AUD/JPY	92.92	-0.30	-0.87	-1.66	-3.06	SGD	0.7737	0.8458
AUD/EUR	0.5739	-0.0008	-0.0025	-0.0050	-0.0096	TWD	19.16	20.95
AUD/GBP	0.4835	0.0001	0.0003	0.0008	0.0019	ZAR	10.87	11.89
USD Index	102.08					EQUITIES		
EUR/USD	1.1038	0.0018	0.0056	0.0110	0.0210		Index	
USD/JPY	146.38	-0.50	-1.49	-2.83	-5.16	NZX50	12,339	
GBP/USD	1.3099	-0.0001	-0.0001	-0.0005	-0.0026	ASX200	7,860	
EUR/GBP	0.8423	0.0014	0.0043	0.0087	0.0174	Dow Jones	40,831	
USD/CNY	7.2813	-0.0165	-0.0488	-0.1021	-0.2035	S&P 500	524	
						FTSE100	8,475	
INTEREST		New Zealand		Australia		DAX 30	21,717	
RATES		Mid		Mid		Nikkei	34,736	
30 day bank bills		3.67%		4.15%		COMMODITIES		
90 day bank bills		3.59%		4.17%			USD	
1 year swap		3.30%		3.63%		Brent Crude	70.12	
2 year swap		3.32%		3.46%		Gold	3,106.58	
3 year swap		3.39%		3.44%		Silver	31.89	
5 year swap		3.58%		3.75%		Iron Ore	100.90	
10 year swap		3.99%		4.14%		CRB Index	381.15	
3 year Govt bond		3.63%		3.59%			NZD	
5 year Govt bond		3.93%		3.78%		NZ Carbon	58.00	
10 year Govt bond		4.48%		4.35%				

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