

Market Alert

Tuesday 08 April 2025

CURRENCIES	Spot	6mths
NZD/USD	0.5536	0.0025
NZD/AUD	0.9254	0.0024
NZD/JPY	81.825	-1.24
NZD/EUR	0.5063	-0.0031
NZD/GBP	0.4346	0.0020
NZD/CNH	4.1900	-0.0273
AUD/USD	0.5980	0.0011
AUD/EUR	0.5469	-0.0048
EUR/USD	1.0933	0.0111
USD/CNH	7.3448	-0.0825
GBP/USD	1.2735	-0.0006
EUR/GBP	0.8581	0.0090

INT RATES	NZ	Australia
OCR/Cash	3.75%	4.10%
90 day bills	3.47%	4.16%
2 year swap	3.11%	3.29%
10 year Govt	4.45%	4.18%

First of all ...

... apologies all around as we're running a bit behind schedule this morning ... but it's not my fault. Sure, I hit the snooze button a couple of times, but a certain young lady didn't bring in my 6:15am cup of coffee! How can I be expected to perform normally without my 6:15 booster? I tell you what ... someone's going to be in trouble when I get home tonight!

And speaking of trouble ...

... equity markets remain in turmoil, although it appears we may be about to enter a period of consolidation. Well that's what I thought when I saw the overnight moves. That wasn't to say the current bout of volatility is over, but it would be nice to move away from consecutive days of large negative moves

of over 5.0%. Yes, Asian markets were hit hard yesterday, European bourses were -3.0% to -4.0% lower, but the US markets were a lot steadier, falling a modest -0.75% to -1.25%. But then I saw the overnight price action and saw that at one point sentiment improved on reports that President Trump was considering a 90-day pause on tariffs on all countries except China, although the White House later dismissed that report as false. Later in the session Trump also threatened a new 50.0% tariff on China if Beijing doesn't remove retaliatory duties. So much for stability ...

US treasury yields have also bounced from their lows, with the 2-years falling to a low of 3.43% overnight before recovering to its current level of 3.75%, while the 10-years bottomed out at a 6-month low at 3.86% on Friday but is at 4.17% this morning. This will see a recovery in NZ and AU swap rates on the open ahead of tomorrow's RBNZ meeting.

The USD-index has also had a 'relatively' stable session although it is the CNY that we are closely watching with USD/CNY trading close to the theoretical 7.3500 line in the sand. I'm not sure whether the PBoC will devalue the CNY, but they appear happy to let it weaken within the current environment. The EUR staged a recovery, although the NZD and JPY weakened. The AUD is lower, but it has recovered from its 0.5933 low.

Commodity prices are also lower across the board, with natural gas prices falling -4.9%, while oil prices fell a further -1.75%. Interestingly, gold prices fell -2.0% while silver rallied 1.1%.

Breaking the data releases down ...

- Eurozone retail sales rose less than expected, firming just 0.3% in February.
- German exports rose 1.8% to a 10-month high of EUR131.6bn in February.
- UK house prices rose by 2.8% in the year to March, the slowest growth since July 2024.
- The US used vehicle index declined -0.7% in March.

Fed Governor Adriana D. Kugler suggested "Tariffs will be consequential, already seeing some price increases. For now, it's short-run inflation expectations have moved up. Long-run inflation expectations are well-anchored (although) consumer confidence is moderating; we need to pay attention to that."

Goldman Sachs has trimmed its 2025 GDP growth forecast to just 0.5% in Q4 and lifted its 12-month recession probability from 35.0% to 45.0%. JPMorgan expects the U.S. economy to slip into recession in the second half of 2025, with growth dropping to 1.0% in Q3 and to 0.5% in Q4.

Strap yourselves in ...

... it's going to be another wild session!

I'm not sure where he got this from, but US Treasury Secretary Bessent announced, "Were anticipating meaningful negotiations in coming weeks. Over 50 nations have responded positively to President Trump's tariffs." Against this, the EU commission is proposing 25.0% tariffs on US goods from 16-May.



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Daily Rates

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FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	66.80					CAD	0.7874	0.8982
NZD/USD	0.5536	0.0005	0.0013	0.0025	0.0044	CHF	0.4742	0.5127
NZD/AUD	0.9254	0.0006	0.0016	0.0024	0.0040	CNY	4.0478	4.3763
NZD/JPY	81.825	-0.22	-0.64	-1.24	-2.30	DKK	3.7791	4.0836
NZD/EUR	0.5063	-0.0004	-0.0014	-0.0031	-0.0059	FJD	1.2763	1.3792
NZD/GBP	0.4346	0.0004	0.0010	0.0020	0.0040	HKD	4.2994	4.6459
						KRW	812.67	878.17
AU TWI	57.10					MYR	2.4770	2.6766
AUD/USD	0.5980	0.0001	0.0005	0.0011	0.0021	NOK	6.0535	6.5486
AUD/NZD	1.0800	-0.0008	-0.0022	-0.0038	-0.0059	SEK	5.5626	6.0108
AUD/JPY	87.68	-0.29	-0.85	-1.57	-2.88	SGD	0.7481	0.8084
AUD/EUR	0.5469	-0.0008	-0.0025	-0.0048	-0.0088	TWD	18.26	19.73
AUD/GBP	0.4694	0.0001	0.0003	0.0009	0.0023	ZAR	10.83	11.71
USD Index	103.29					EQUITIES		
EUR/USD	1.0933	0.0018	0.0058	0.0111	0.0216		Index	
USD/JPY	147.80	-0.51	-1.53	-2.89	-5.33	NZX50	11,776	
GBP/USD	1.2735	-0.0001	-0.0001	-0.0006	-0.0027	ASX200	7,343	
EUR/GBP	0.8581	0.0015	0.0044	0.0090	0.0182	Dow Jones	37,880	
USD/CNY	7.3081	-0.0152	-0.0459	-0.0975	-0.2005	S&P 500	5,077	
						FTSE100	7,702	
INTEREST		New Zealand		Australia		DAX 30	19,790	
RATES		Mid		Mid		Nikkei	31,137	
30 day bank bills		3.59%		4.16%		COMMODITIES		
90 day bank bills		3.47%		4.16%			USD	
1 year swap		3.11%		3.48%		Brent Crude	64.55	
2 year swap		3.15%		3.34%		Gold	2,975.99	
3 year swap		3.24%		3.45%		Silver	29.82	
5 year swap		3.46%		3.81%		Iron Ore	97.35	
10 year swap		3.94%		4.26%		CRB Index	344.20	
3 year Govt bond		3.48%		3.30%			NZD	
5 year Govt bond		3.81%		3.53%		NZ Carbon	55.35	
10 year Govt bond		4.45%		4.18%				

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