

Market Alert

Friday 07 February 2025

CURRENCIES	Spot	6mths
NZD/USD	0.5678	0.0023
NZD/AUD	0.9032	0.0023
NZD/JPY	85.955	-1.37
NZD/EUR	0.5463	-0.0032
NZD/GBP	0.4560	0.0019
NZD/CNH	4.1355	-0.0216
AUD/USD	0.6284	0.0009
AUD/EUR	0.6046	-0.0051
EUR/USD	1.0392	0.0102
USD/CNH	7.2831	-0.0674
GBP/USD	1.2449	-0.0002
EUR/GBP	0.8343	0.0082

INT RATES	NZ	Australia
OCR/Cash	4.25%	4.35%
90 day bills	3.88%	4.26%
2 year swap	3.32%	3.73%
10 year Govt	4.57%	4.42%

I thought only pirates had tattoos!

Apparently not ... and the only advice I can give when one of your children shows up with one is ... don't be there when your partner finds out!

It was great to celebrate Waitangi Day ...

... but its time to get back to the day job!

In the UK, the BoE cut interest rates for the 3rd time since last August, lowering the bank rate by 25bps to 4.50%, and while this was in line with expectations, markets were caught 'off guard' after two policymakers preferred to lower rates by 50bps. The big surprise was Catherine Mann, seen as the Committee's biggest hawk, changing sides to back a 50bps reduction alongside Swati Dhingra. The central bank acknowledged that while

there has been progress on inflation over the past few years, a gradual and careful approach to further easing remains appropriate given the Committee expects inflation to rise "quite sharply" while the central bank also downgraded its growth forecasts. Ultimately, markets have increased their positioning on further BoE rate cuts this year.

Newly appointed US Treasury Secretary, Scott Bessent, was also on the newswires, announcing, "We want to have the best policies to create the conditions for a strong US dollar. The strong dollar policy is completely intact under President Trump. China is the most-imbalanced economy in the history of the world, and it is trying to export their way out of a depression. As it becomes apparent that the President's agenda is working, we will see a great deal of non-inflationary growth. I am happy to see the trajectory of borrowings is dropping. I don't see any change in Treasury issuance in the foreseeable future (although) we are focused on lowering 10-year yields rather than the Fed's short-term interest rate."

Looking at the overnight data ...

- US initial jobless claims rose by 11k to 219k, above expectations at 213k. Continuing claims rose by 26k to 1,886k.
- US employers announced 49.8k of job cuts in January, which was above December's 38.8k.
- US nonfarm unit labour costs increased 3.0% in Q4 following Q3's 0.5% increase.
- Euro-zone retail sales fell 0.2% in December.
- German factory orders surged almost 7.0% in December.

In terms of the impact on markets, the US yields had a choppy session following Scott Bessent's comments, although on the day there has been little movement, with the 2-years 1bps higher at 4.21% while the 10-years is -1bps lower at 4.43%. The USD-index is a touch lower, and still below the 107.80 level, as the week's weakening trend continues with the JPY the biggest beneficiary. The NZD and AUD are unchanged. Equity markets are firmer although commodity markets are mixed.

Finally ... the chit-chat ...

Chicago Fed President Austin Goolsbee announced, "The appearance that inflation process has stalled is largely due to base effects. The view of the economy is full employment, ongoing growth and inflation likely to fall to 2.0%. The first effects of tariffs may be less important than the impact on expectations. We are watching PPIs and listen to industrial contacts to monitor the tariff effect, although the uncertainty makes the environment for the Fed foggier, providing a reason to slow the pace of cuts."

On interest rates, ECB council member Boris Vujcic stated, "Given the high level of uncertainty, the best thing to do is wait-and-see."

BoJ board member Naoki Tamura flagged the need for two or more rate hikes by early next year stating, "The short-term interest rate should be at the 1.0% level by H2 of fiscal 2025. The bank needs to raise this rate in a timely and gradual manner to achieve price stability."



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Daily Rates

Friday 07 February 2025

FX	Spot	FECs (mid)				Spot Mid	
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...
NZ TWI	67.70					CAD	0.8116 0.8992
NZD/USD	0.5678	0.0002	0.0010	0.0023	0.0050	CHF	0.5130 0.5685
NZD/AUD	0.9032	0.0002	0.0010	0.0023	0.0044	CNY	4.1336 4.5779
NZD/JPY	85.955	-0.24	-0.74	-1.37	-2.51	DKK	4.0741 4.5113
NZD/EUR	0.5463	-0.0005	-0.0016	-0.0032	-0.0066	FJD	1.2904 1.4288
NZD/GBP	0.4560	0.0002	0.0009	0.0019	0.0038	HKD	4.4189 4.8931
						KRW	819.77 907.74
AU TWI	59.90					MYR	2.5101 2.7794
AUD/USD	0.6284	0.0001	0.0004	0.0009	0.0021	NOK	6.3592 7.0417
AUD/NZD	1.1071	-0.0003	-0.0014	-0.0032	-0.0069	SEK	6.1797 6.8428
AUD/JPY	95.16	-0.29	-0.93	-1.77	-3.33	SGD	0.7658 0.8480
AUD/EUR	0.6046	-0.0007	-0.0025	-0.0051	-0.0108	TWD	18.60 20.59
AUD/GBP	0.5046	0.0001	0.0004	0.0008	0.0012	ZAR	10.45 11.58
USD Index	107.65					EQUITIES	
EUR/USD	1.0392	0.0013	0.0048	0.0102	0.0217		Index
USD/JPY	151.38	-0.48	-1.55	-3.03	-5.74	NZX50	12,845
GBP/USD	1.2449	-0.0001	-0.0003	-0.0002	0.0004	ASX200	8,521
EUR/GBP	0.8343	0.0011	0.0040	0.0082	0.0170	Dow Jones	44,687
USD/CNY	7.2883	-0.0144	-0.0497	-0.1061	-0.2313	S&P 500	6,076
						FTSE100	8,727
INTEREST		New Zealand		Australia		DAX 30	21,902
RATES		Mid		Mid		Nikkei	39,067
30 day bank bills		4.13%		4.27%		COMMODITIES	
90 day bank bills		3.88%		4.26%			USD
1 year swap		3.44%		3.87%		Brent Crude	74.13
2 year swap		3.37%		3.74%		Gold	2,853.15
3 year swap		3.43%		3.73%		Silver	32.25
5 year swap		3.62%		4.02%		Iron Ore	104.81
10 year swap		4.06%		4.33%		CRB Index	371.92
3 year Govt bond		3.68%		3.78%			NZD
5 year Govt bond		3.97%		3.94%		NZ Carbon	63.75
10 year Govt bond		4.57%		4.42%			

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