

Market Alert

Thursday 13 March 2025

CURRENCIES	Spot	6mths
NZD/USD	0.5727	0.0024
NZD/AUD	0.9070	0.0025
NZD/JPY	84.950	-1.34
NZD/EUR	0.5261	-0.0030
NZD/GBP	0.4417	0.0020
NZD/CNH	4.1397	-0.0340
AUD/USD	0.6313	0.0008
AUD/EUR	0.5799	-0.0051
EUR/USD	1.0885	0.0108
USD/CNH	7.2410	-0.0880
GBP/USD	1.2963	-0.0005
EUR/GBP	0.8394	0.0086

INT RATES	NZ	Australia
OCR/Cash	3.75%	4.10%
90 day bills	3.69%	4.16%
2 year swap	3.40%	3.70%
10 year Govt	4.72%	4.55%

I've been doing a bit of driving around the country recently ...

... and while most New Zealanders think they are good drivers, I can re-assure you that we're not! And what is it with those people who insist on sitting in the outside lane ... or the inside lane as the kids of today would say ... the fast lane is for overtaking, not sitting on the speed limit. Speed limit = inside ... overtaking = outside!

Last night was an encouraging night as ...

... it was nice to get a couple of headlines that didn't have the word tariff in them!

The big headline was from the US with the CPI inflation print which saw annual inflation rate fall to 2.8% in February,

which was below January's 3.0% and forecasts of 2.9%. On a monthly basis, inflation fell from 0.5% to 0.2%, while core inflation rose 0.2% on the month and 3.1% on an annualised basis, which were below forecasts.

The other big headline was from Canada where the central bank executed their 7th consecutive rate cut, this time for 25bps to bring the cash rate to 2.75%. The BoC has now cut their cash rate 225bps since the start of its cutting cycle in June 2024. But overnight, the US implemented 25% tariffs on all steel and aluminium imports from Canada, and with further protectionist measures expected in April, BoC Governor Tiff Macklem warned, "*Canada is facing a new crisis, (we) cannot offset the impacts of a trade war. Depending on the extent and duration of new US tariffs, the economic impact could be severe.*" Interestingly, Tiff then added, "*We did not seriously consider a 50bps cut. We did not want to 'get ahead of ourselves.'* Our estimated neutral rate is centred on 2.75%."

But, since we've mentioned tariffs, let's stay on theme ... yawn ... Mr. Trump added, "*I have the right to adjust tariffs. There will be very little flexibility. The 2nd April will be a very big day. I will respond to EU counter-tariffs. We are going to do reciprocal tariffs.*"

The US deficit worsened during President Donald Trump's first month in office, as the budget shortfall in February passed the USD1trn mark, even though the fiscal year has yet to reach its halfway point. The February deficit totalled just over USD307bn for the month, nearly 2.5x

what it was in January, and 3.7% higher than February 2024.

Financial markets took the data releases and Presidential comments in their stride, although it should be mentioned the German 10-year bund surged above the 2.90% level to reach its highest yield in 13-years as the new coalition seeks to expand its borrowing requirements ahead of increased defense spending, while US Treasury yields firmed 5bps and 4bps to reach 4.01% and 4.32% in the 2 and 10-years. FX markets were mixed with the USD firming against the EUR and JPY, although it weakened against the NZD, AUD and GBP, but overall, most currency pairs remain within their ranges. Equity markets have recovered with the S&P bouncing, having fallen -14% from its all-time high, while the Nasdaq continued its recovery having fallen -15%. This saw the VIX index drop -2.8%. Commodity markets also staged a rebound of sorts with oil, gold, copper and steel pricing all firming, although the biggest gain was seen in the US cheese market with pricing rallying 5%.

Finally ...

... I've just finished the latest season of 'Drive to Survive,' and can't wait for the big race on Sunday ... come on Liam, New Zealand's latest favourite son!

RIP Taff ... what an adventure that was!



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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	67.60					CAD	0.8224 0.8982
NZD/USD	0.5727	0.0003	0.0011	0.0024	0.0044	CHF	0.5051 0.5570
NZD/AUD	0.9070	0.0003	0.0011	0.0025	0.0048	CNY	4.1442 4.5690
NZD/JPY	84.950	-0.25	-0.73	-1.34	-2.46	DKK	3.9235 4.3264
NZD/EUR	0.5261	-0.0006	-0.0016	-0.0030	-0.0059	FJD	1.2929 1.4257
NZD/GBP	0.4417	0.0003	0.0009	0.0020	0.0039	HKD	4.4480 4.9048
						KRW	830.70 916.02
AU TWI	59.60					MYR	2.5339 2.7941
AUD/USD	0.6313	0.0001	0.0004	0.0008	0.0011	NOK	6.0853 6.7102
AUD/NZD	1.1021	-0.0004	-0.0015	-0.0034	-0.0064	SEK	5.7735 6.3665
AUD/JPY	93.42	-0.31	-0.93	-1.75	-3.25	SGD	0.7629 0.8412
AUD/EUR	0.5799	-0.0008	-0.0025	-0.0051	-0.0100	TWD	18.85 20.78
AUD/GBP	0.4869	0.0001	0.0004	0.0008	0.0014	ZAR	10.50 11.58
USD Index	103.61					EQUITIES	
EUR/USD	1.0885	0.0018	0.0055	0.0108	0.0206		Index
USD/JPY	148.32	-0.53	-1.57	-2.99	-5.40	NZX50	12,250
GBP/USD	1.2963	-0.0001	-0.0002	-0.0005	-0.0019	ASX200	7,786
EUR/GBP	0.8394	0.0014	0.0044	0.0086	0.0169	Dow Jones	41,473
USD/CNY	7.2371	-0.0164	-0.0505	-0.1045	-0.2015	S&P 500	5,624
						FTSE100	8,541
INTEREST		New Zealand		Australia		DAX 30	22,676
RATES		Mid		Mid		Nikkei	36,819
30 day bank bills		3.84%		4.14%		COMMODITIES	
90 day bank bills		3.69%		4.16%			USD
1 year swap		3.35%		3.82%		Brent Crude	70.99
2 year swap		3.42%		3.71%		Gold	2,935.04
3 year swap		3.52%		3.71%		Silver	33.26
5 year swap		3.72%		4.04%		Iron Ore	101.05
10 year swap		4.18%		4.40%		CRB Index	368.35
3 year Govt bond		3.79%		3.81%			NZD
5 year Govt bond		4.12%		4.00%		NZ Carbon	61.55
10 year Govt bond		4.72%		4.55%			

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