

Market Alert

Tuesday 18 March 2025

CURRENCIES	Spot	6mths
NZD/USD	0.5823	0.0025
NZD/AUD	0.9116	0.0025
NZD/JPY	86.895	-1.37
NZD/EUR	0.5332	-0.0032
NZD/GBP	0.4481	0.0020
NZD/CNH	4.2081	-0.0338
AUD/USD	0.6386	0.0010
AUD/EUR	0.5847	-0.0052
EUR/USD	1.0920	0.0110
USD/CNH	7.2250	-0.0892
GBP/USD	1.2991	-0.0004
EUR/GBP	0.8403	0.0086

INT RATES	NZ	Australia
OCR/Cash	3.75%	4.10%
90 day bills	3.66%	4.16%
2 year swap	3.45%	3.69%
10 year Govt	4.74%	4.52%

"Top o' the mornin' to ya"

As our good Irish friends would say ... and yes, I did partake in a couple of pints of 'the black stuff' last night in a toast to the in-laws ... but it wasn't without its issues! One rule that I wasn't aware of is that with your first taste of Guinness, you are supposed to drink enough so that the line between the beer and the head is in the middle of the G! That, I did not know!

There is a fair bit to get through

...
... so, let's pile into it!

US retail sales rose less than forecast at 0.2% against forecasts at 0.6%, while the prior months print was revised lower, adding to concerns of a pullback in consumer spending. But while the headline number was weak, at least

it was better than the prior month's revised lower print of -1.2%. There was also a positive in that the 'control group,' which measures consumer momentum, jumped to 1.0% against forecasts at 0.3%, which suggests that despite the poor performance of US consumers, momentum will likely pick up. The other US releases saw:

- The March Empire manufacturing index fell to its lowest level since early 2024 at -20.0 against estimates at -1.50.
- Business inventories increased 0.3%, which was in line with forecasts.
- The NAHB housing market index eased back to 39 against the expected 42.

The OECD has forecast global growth will slow to 3.1% in 2025 and to 3.0% in 2026 due to trade barriers and uncertainty, while the Ifo institute has cut its German 2025 GDP growth forecast from 0.4% to 0.2%.

A Reuters poll suggests the Swiss National Bank ("SNB") will cut their cash rate by 25bps this month, while a Bloomberg poll suggests the ECB will cut rates two more times to 2.0%.

China's state planner vice chairman probably summed it up best when he highlighted that consumption activity is improving domestically, although consumer confidence remains weak, and that was backed up to some degree with the country's first 'data dump' of 2025. Consumption continued its gradual recovery, with retail sales firming 4.0% year-on-year in the first 2-months of 2025 and 3.5% above the same period in 2024. Industry production also rose 5.9%

year-to-date and 5.8% on 2024 levels, although house prices remain weak after new home prices fell -0.14%, while existing home prices continued to slide, falling -0.34%.

Despite last week's positive NZ manufacturing PMI print which jumped from 51.4 to 53.9, February's services PMI slumped back into contraction, falling from 50.4 to 49.1. Meanwhile, the latest NZIER survey of economists has projected annual growth in the year to March 2025 will contract by -0.8%, although it is forecast to increase to 2.1% in the year to March 2026.

So, what did it all mean?

Simply put ... a good night for the NZD and the AUD! Yes, while both currencies had underperformed, last night was all about them 'closing the gap,' with the NZD/USD jumping back to its highest level since early December at the 0.5825 level, while the AUD/USD jumped back above the 0.6350 level as it looks to test its February high at 0.6414. Positive equity markets and a weakening USD-index towards the low 103.00's helped sentiment, although the NZD's strength also found support on the crosses as it gained against the JPY, EUR and GBP.

Against the moves in FX markets, bond markets were quiet, with US markets stagnating with the 2-yrs firming 3bps to 4.06% while the 10-yrs fell -1bps to 4.31%. Equity markets made positive gains broadly firming 1.0%-1.5%, while most commodities made incremental gains.



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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	68.10					CAD	0.8312 0.8982
NZD/USD	0.5823	0.0004	0.0012	0.0025	0.0045	CHF	0.5126 0.5625
NZD/AUD	0.9116	0.0003	0.0012	0.0025	0.0043	CNY	4.1968 4.6029
NZD/JPY	86.895	-0.28	-0.76	-1.37	-2.59	DKK	3.9766 4.3625
NZD/EUR	0.5332	-0.0006	-0.0017	-0.0032	-0.0066	FJD	1.3060 1.4328
NZD/GBP	0.4481	0.0003	0.0010	0.0020	0.0036	HKD	4.5228 4.9618
						KRW	839.76 921.27
AU TWI	59.90					MYR	2.5857 2.8367
AUD/USD	0.6386	0.0002	0.0005	0.0010	0.0017	NOK	6.1338 6.7291
AUD/NZD	1.0963	-0.0005	-0.0016	-0.0033	-0.0062	SEK	5.8743 6.4445
AUD/JPY	94.36	-0.35	-0.94	-1.75	-3.26	SGD	0.7739 0.8490
AUD/EUR	0.5847	-0.0009	-0.0026	-0.0052	-0.0099	TWD	19.18 21.04
AUD/GBP	0.4914	0.0002	0.0004	0.0008	0.0017	ZAR	10.53 11.55
USD Index	103.40					EQUITIES	
EUR/USD	1.0920	0.0019	0.0055	0.0110	0.0214		Index
USD/JPY	149.22	-0.56	-1.57	-2.99	-5.50	NZX50	12,166
GBP/USD	1.2991	-0.0001	-0.0001	-0.0004	-0.0012	ASX200	7,854
EUR/GBP	0.8403	0.0016	0.0043	0.0086	0.0171	Dow Jones	41,964
USD/CNY	7.2327	-0.0170	-0.0492	-0.1003	-0.2041	S&P 500	5,693
						FTSE100	8,680
INTEREST		New Zealand		Australia		DAX 30	23,155
RATES		Mid		Mid		Nikkei	37,397
30 day bank bills		3.81%		4.14%		COMMODITIES	
90 day bank bills		3.66%		4.16%			USD
1 year swap		3.43%		3.81%		Brent Crude	71.09
2 year swap		3.50%		3.70%		Gold	2,999.38
3 year swap		3.60%		3.72%		Silver	33.85
5 year swap		3.78%		4.02%		Iron Ore	102.85
10 year swap		4.19%		4.35%		CRB Index	369.63
3 year Govt bond		3.85%		3.80%			NZD
5 year Govt bond		4.16%		3.98%		NZ Carbon	60.25
10 year Govt bond		4.74%		4.52%			

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