

Market Alert

Wednesday 19 March 2025

CURRENCIES	Spot	6mths
NZD/USD	0.5820	0.0025
NZD/AUD	0.9146	0.0025
NZD/JPY	86.810	-1.36
NZD/EUR	0.5316	-0.0032
NZD/GBP	0.4474	0.0020
NZD/CNH	4.2056	-0.0355
AUD/USD	0.6362	0.0009
AUD/EUR	0.5811	-0.0052
EUR/USD	1.0947	0.0113
USD/CNH	7.2271	-0.0915
GBP/USD	1.3008	-0.0003
EUR/GBP	0.8414	0.0088

INT RATES	NZ	Australia
OCR/Cash	3.75%	4.10%
90 day bills	3.66%	4.16%
2 year swap	3.46%	3.69%
10 year Govt	4.72%	4.51%

Market movers ...

As has become the norm recently there were many moving parts in the world of geo-politics overnight. Market tariff fears were reignited, with recent optimism wiped out, as Canadian officials were informed that tariffs were 'virtually certain'. And that the 'Big One', reciprocal tariffs, are set to include, amongst a myriad of other things, the UK's VAT, which is the UK's version of GST. What this means for NZ, with our 15% GST is yet to be known, but the consequences could be pretty horrific.

In more positive news, the German Bundestag (Lower House) voted in favour of its large defence and infrastructure spending proposal, it is now set to be put in front of the Bundesrat (Upper House) for ratification at the end of this week, with an approval looking more than likely. While Putin and Trump have had a call

this morning that appears to be positive, there has been no official ceasefire deal, but Putin has agreed to pause strikes on Ukrainian infrastructure and energy targets for 30 days.

In terms of actual data, US industrial production was stronger than expected, increasing by 0.7% in the month of February, up from a downwardly revised 0.3% in January, while manufacturing production was stronger than expected at 0.9% in February. This helped the Atlanta Fed GDPNow forecast, which has recently become a hot topic, as it went from positive to sharply negative over the past weeks, to improve from forecasting a 2.1% decline in annualised GDP for the March quarter, to forecasting a 1.8% decline.

Across the border, Canadian CPI came in much hotter than January's benign 0.1% and indeed expectations, increasing by 1.1% in the month of February, against expectations of 0.6%, which led to the annual headline figure increasing by 2.6%. The Trimmed and Core annual measures also accelerated, by 2.9% and 2.7% respectively. Although Trump's tariffs didn't come into effect until early March, it is important to keep in mind that future expectations are key with price setting.

NZ Inc

Last night's GDT auction was mixed, the overall GDT index was flat at 0.0%, while the products had some winners and loser. Notably, there was a polarity between key indicators WMP and SMP, with the former increasing by 0.2%, while the latter fell 0.4%.

Later today we have what is sure to be another scintillating New Zealand Carbon Credit auction, with the floor for the auction currently set at \$68, the problem is that the carbon credits are currently trading at just over \$60, so if you're scheduled to go, it may be best to bring a book, or something to keep yourself entertained.

Markets are waiting

On the reignition of tariff fears, US equities reverted back to their 'risk off' sentiment, which saw the major US indices all post losses overnight, while on the other hand, European indices posted gains on the positive news out of Germany.

Currencies were stable with the USD index, softening slightly, although this did not lead to either the NZD/USD or AUD/USD posting gains, as they were suppressed by the 'risk off' move, and sit largely where they were yesterday. US Treasury bond yields were slightly lower with the 10-year down 3bp to 4.27%. Gold continued to reach new record levels, currently at USD3036, while oil is slightly lower on the back of the Putin - Trump peace talks.

It is likely that markets are waiting for developments from the Fed meeting which is at 7am local time tomorrow morning. Notably, the March meeting is one where Fed Officials update their latest 'dot-plot' projections, which is their view on where US interest rates are heading, this is likely to be the key focus, as market pricing sees the only outcome as a hold by the Fed.



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Daily Rates

Wednesday 19 March 2025

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	68.80					CAD	0.8323	0.8982
NZD/USD	0.5820	0.0003	0.0012	0.0025	0.0045	CHF	0.5098	0.5576
NZD/AUD	0.9146	0.0003	0.0013	0.0025	0.0041	CNY	4.2031	4.5946
NZD/JPY	86.810	-0.27	-0.74	-1.36	-2.59	DKK	3.9647	4.3346
NZD/EUR	0.5316	-0.0006	-0.0017	-0.0032	-0.0066	FJD	1.3071	1.4290
NZD/GBP	0.4474	0.0003	0.0010	0.0020	0.0036	HKD	4.5212	4.9431
						KRW	844.01	922.77
AU TWI	60.30					MYR	2.5848	2.8260
AUD/USD	0.6362	0.0001	0.0004	0.0009	0.0016	NOK	6.1352	6.7077
AUD/NZD	1.0930	-0.0005	-0.0016	-0.0035	-0.0065	SEK	5.8372	6.3818
AUD/JPY	95.61	-0.33	-0.94	-1.76	-3.26	SGD	0.7739	0.8461
AUD/EUR	0.5811	-0.0009	-0.0026	-0.0052	-0.0100	TWD	19.18	20.97
AUD/GBP	0.4890	0.0001	0.0004	0.0007	0.0015	ZAR	10.54	11.53
USD Index	103.24					EQUITIES		
EUR/USD	1.0947	0.0019	0.0055	0.0113	0.0216		Index	
USD/JPY	149.16	-0.53	-1.58	-3.00	-5.50	NZX50	12,077	
GBP/USD	1.3008	-0.0001	-0.0002	-0.0003	-0.0011	ASX200	7,860	
EUR/GBP	0.8414	0.0015	0.0043	0.0088	0.0171	Dow Jones	41,578	
USD/CNY	7.2273	-0.0159	-0.0481	-0.1005	-0.2024	S&P 500	5,618	
						FTSE100	8,705	
INTEREST		New Zealand		Australia		DAX 30	23,381	
RATES		Mid		Mid		Nikkei	37,845	
30 day bank bills		3.78%		4.14%		COMMODITIES		
90 day bank bills		3.66%		4.16%			USD	
1 year swap		3.43%		3.82%		Brent Crude	70.53	
2 year swap		3.51%		3.70%		Gold	3,036.14	
3 year swap		3.60%		3.71%		Silver	34.04	
5 year swap		3.79%		4.01%		Iron Ore	102.32	
10 year swap		4.19%		4.33%		CRB Index	368.98	
3 year Govt bond		3.84%		3.81%			NZD	
5 year Govt bond		4.16%		3.99%		NZ Carbon	60.10	
10 year Govt bond		4.72%		4.51%				

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