

Market Alert

Tuesday 06 May 2025

CURRENCIES	Spot	6mths
NZD/USD	0.5969	0.0036
NZD/AUD	0.9225	0.0030
NZD/JPY	85.765	-1.23
NZD/EUR	0.5274	-0.0031
NZD/GBP	0.4489	0.0022
NZD/CNH	4.2976	-0.0346
AUD/USD	0.6468	0.0017
AUD/EUR	0.5715	-0.0052
EUR/USD	1.1317	0.0134
USD/CNH	7.1998	-0.0997
GBP/USD	1.3293	0.0013
EUR/GBP	0.8509	0.0090

INT RATES	NZ	Australia
OCR/Cash	3.50%	4.10%
90 day bills	3.40%	3.91%
2 year swap	3.05%	3.28%
10 year Govt	4.55%	4.36%

It's with a heavy heart ...

... that I write this morning commentary, as last night was a leaving dinner for my youngest brother who has decided to move back to the UK. No more long afternoons in the pub strategising how we were going to make the All Blacks Under-85kg rugby team ...

The US 10-Year Treasury ...

... or the T-bond as it's often referred to ... has had a volatile couple of days! A week ago its yield had topped out at 4.29%, by last Thursday it had fallen to 4.12%, and it's now back at 4.34%! The 2-year Treasury has also had its fair share of gyrations, firming from 3.55% to 3.84% over the last couple of sessions, but the real question I hear you asking is why ...

And the answer is pretty simple ... last night's strong ISM services PMIs for the

US saw the headline jump from March's 9-month low at 50.8 to 51.6 in April, which was stronger than the forecast 50.8. With the service sector starting to accelerate again, supported by a surge in cost pressures with the prices-paid gauge jumping 4.2 to a 2-year high at 65.1, and aligning with Friday's strong jobs report and the higher PCE inflation print last week, all supporting reasons for the FOMC to delay its cutting cycle to the 2nd half of the year. The US market is currently pricing in 75bps of cuts by year end, down from 100bps last week.

US Treasury Secretary Scott Bessent is doing his level best to pressure the FOMC into a rate cut, stating, *"The Fed's favourite inflation measure is down. The market isn't pricing in any inflation. The hard data is still resilient."*

And in amongst this, inflation appears to be becoming a secondary issue after oil prices plummeted a further -1.25% after OPEC+ accelerated production for a 2nd month with plans to raise production by 411k bpd by June. This could bring as much as 2.2m bpd to the market by November as the group's leader, Saudi Arabia, seeks to punish fellow members who have exceeded their production quotas. Crude is now trading below the USD60.00 level at USD57.00, its lowest level since June 2021! And just to prove the point, Swiss inflation dropped to its lowest level in more than four years at 0.0%.

With bond yields higher, the USD-index surprisingly eased back a touch, falling -0.25% on the day towards the 99.75 level. This helped the EUR hold itself above the

1.1300 level, while the NZD and AUD both posted modest gains in the region of 0.25%. The pessimism also weighed on US equity markets, snapping their recent 9-day winning streak, with US bourses -0.25% to -0.75% lower, although the European markets held up better, rallying 1.0%.

This morning the 3-year USD58bn Treasury auction saw strong domestic demand, but below-average international demand with the bid-to-cover ratio falling from its previous 2.63x to 2.56x.

The bits and pieces ...

Japanese Finance Minister Katsunobu Kato confirmed, *"We are not considering the sale of US Treasuries as a means of Japan-US (tariff) negotiations."*

China resumed buying LNG from the spot market after months of relative inactivity as prices slumped to their lowest levels in a year.

Donald Trump has announced he wants to re-open, and enlarge, the maximum-security prison Alcatraz in San Francisco Bay.

Israel has called up thousands of reservists after plans were approved to capture the entire Gaza Strip and remain there indefinitely.

At least house prices are going up ... a US Trump supporter has listed his Florida mansion for USD43.8m - a 50.0% markup from his 2021 purchase price!



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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	69.50					CAD	0.8240 0.8982
NZD/USD	0.5969	0.0005	0.0017	0.0036	0.0062	CHF	0.4904 0.5318
NZD/AUD	0.9225	0.0005	0.0016	0.0030	0.0048	CNY	4.3282 4.6852
NZD/JPY	85.765	-0.24	-0.64	-1.23	-2.30	DKK	3.9344 4.2647
NZD/EUR	0.5274	-0.0006	-0.0016	-0.0031	-0.0062	FJD	1.3228 1.4338
NZD/GBP	0.4489	0.0003	0.0011	0.0022	0.0037	HKD	4.6244 5.0127
						KRW	819.88 888.72
AU TWI	60.20					MYR	2.5032 2.7133
AUD/USD	0.6468	0.0003	0.0008	0.0017	0.0027	NOK	6.1984 6.7189
AUD/NZD	1.0838	-0.0008	-0.0019	-0.0042	-0.0070	SEK	5.7649 6.2489
AUD/JPY	92.93	-0.31	-0.86	-1.64	-2.99	SGD	0.7694 0.8340
AUD/EUR	0.5715	-0.0010	-0.0027	-0.0052	-0.0099	TWD	17.40 18.86
AUD/GBP	0.4863	0.0001	0.0003	0.0007	0.0014	ZAR	10.90 11.81
USD Index	99.79					EQUITIES	
EUR/USD	1.1317	0.0022	0.0066	0.0134	0.0249		Index
USD/JPY	143.69	-0.52	-1.50	-2.91	-5.25	NZX50	12,421
GBP/USD	1.3293	0.0002	0.0006	0.0013	0.0012	ASX200	8,158
EUR/GBP	0.8509	0.0015	0.0046	0.0090	0.0174	Dow Jones	41,218
USD/CNY	7.2706	-0.0179	-0.0493	-0.0980	-0.1987	S&P 500	5,659
						FTSE100	8,596
						DAX 30	23,345
						Nikkei	36,831
INTEREST		New Zealand		Australia		COMMODITIES	
RATES		Mid		Mid		USD	
30 day bank bills		3.56%		3.99%		Brent Crude	60.13
90 day bank bills		3.40%		3.91%		Gold	3,331.33
1 year swap		3.08%		3.42%		Silver	32.42
2 year swap		3.10%		3.30%		Iron Ore	98.19
3 year swap		3.21%		3.34%		CRB Index	351.88
5 year swap		3.47%		3.71%			
10 year swap		3.99%		4.16%		NZD	
3 year Govt bond		3.52%		3.41%		NZ Carbon	51.50
5 year Govt bond		3.89%		3.68%			
10 year Govt bond		4.55%		4.36%			

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