

Market Alert

Thursday 08 May 2025

| CURRENCIES | Spot | 6mths |
|------------|--------|---------|
| NZD/USD | 0.5939 | 0.0036 |
| NZD/AUD | 0.9243 | 0.0030 |
| NZD/JPY | 85.440 | -1.23 |
| NZD/EUR | 0.5256 | -0.0031 |
| NZD/GBP | 0.4469 | 0.0022 |
| NZD/CNH | 4.3248 | -0.0263 |
| AUD/USD | 0.6423 | 0.0018 |
| AUD/EUR | 0.5684 | -0.0053 |
| EUR/USD | 1.1299 | 0.0135 |
| USD/CNH | 7.2279 | -0.1078 |
| GBP/USD | 1.3288 | 0.0014 |
| EUR/GBP | 0.8501 | 0.0091 |

| INT RATES | NZ | Australia |
|--------------|-------|-----------|
| OCR/Cash | 3.50% | 4.10% |
| 90 day bills | 3.39% | 3.90% |
| 2 year swap | 3.07% | 3.22% |
| 10 year Govt | 4.58% | 4.37% |

The FOMC confirms what we already knew...

... the risks to both sides of the Fed's dual mandate - price stability and full employment - have risen!

The Federal Reserve kept the funds rate at 4.25%-4.50% range for a third consecutive meeting as officials adopted a wait-and-see approach. Policymakers noted that uncertainty about the economic outlook has increased, and that the risks of higher unemployment and higher inflation have risen.

The statement highlighted that while *"The unemployment rate has stabilized at a low level in recent months, and labour market conditions remain solid, inflation remains somewhat elevated. The Committee is attentive to the risks to both sides of its dual mandate and judges that the risks of higher*

unemployment and higher inflation have risen."

In the Q&A session, Chair Jerome Powell stated, *"We think we can be patient, we are going to be watching the data. The underlying inflation picture is good. Until we know more about how this is going to settle out, and the economic implications for employment, inflation, I couldn't confidently say I know what the appropriate path will be. My gut tells me that uncertainty for the path of the economy is extremely elevated. There's just so much that we don't know, I think, and we're in a good position to wait and see, is the thing. We don't have to be in a hurry. The economy has been resilient. It's doing fairly well. Our policy is well positioned. The costs of waiting to see further are fairly low. I can't tell you how long it will take, but for now, it does seem like it's a fairly clear decision for us to wait and see and watch."*

The fact that the Fed is prepared to undertake a wait-and-see approach, and that any weak survey data is unlikely to force them to cut pre-emptively saw the USD-index rally, with the NZD and AUD impacted the most to be -1.0% lower. The JPY also fell -1.0%, while the EUR and GBP fell -0.5%. Bond markets were a lot quieter with the 2 and 10-year Treasury yields falling -1bps and -2bps to 3.79% and 4.28%, respectively, with pricing for a June FOMC rate cut falling to just 23.0%.

Equity markets posted modest gains, rallying in the region of 0.25%-0.75%, after Powell noted that the economy remains robust, limiting concerns of a recession amid the tariff uncertainty, although commodity markets were

broadly lower, with oil prices falling -1.75%, while gold, silver and copper all came under sustained selling pressure.

But before the FOMC announcement ...

... we had the PBoC announcement, which saw the Chinese central bank cut its reserve requirement ratio ("RRR") by 50bps, which will essentially inject a further CNY1trn of liquidity into the domestic economy as Beijing seeks to boost domestic growth. The PBoC also lowered the rate on its 7-day reverse repurchase by 10bps to 1.40%, the central bank's first policy rate cut since September 2024. This saw the Chinese 10-year government bond yield fall to a 3-month low at 1.64%.

We had the usual glut of economic releases ...

- Eurozone retail trade declined -0.1% in March, following on from February's downwardly revised 0.2%.
- German factory orders expanded 3.6%, well above forecasts at 1.3%.
- The Australian industry index rose by 5.1 points to a seasonally adjusted -15.0 in April amid ongoing challenges.
- New Zealand's unemployment rate remained steady at 5.1% in Q1 25, unchanged from Q4 24 and below expectations for an increase to 5.3%. The number of unemployed flatlined at 156k, the seasonally adjusted participation rate dipped from 70.9% to 70.8%, while the underutilisation rate edged up from 12.1% to 12.3%.



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Daily Rates

Thursday 08 May 2025

| FX | Spot | FECs (mid) | | | | Spot Mid | | |
|-------------------|--------|------------|--------------------|---------|------------------|--------------------|--------------|--------|
| | Mid | 1mth | 3mths | 6mths | 12mths | NZD/... | AUD/... | |
| NZ TWI | 69.70 | | | | | CAD | 0.8213 | 0.8982 |
| NZD/USD | 0.5939 | 0.0006 | 0.0018 | 0.0036 | 0.0060 | CHF | 0.4893 | 0.5294 |
| NZD/AUD | 0.9243 | 0.0005 | 0.0016 | 0.0030 | 0.0039 | CNY | 4.3171 | 4.6674 |
| NZD/JPY | 85.440 | -0.22 | -0.65 | -1.23 | -2.28 | DKK | 3.9204 | 4.2406 |
| NZD/EUR | 0.5256 | -0.0005 | -0.0016 | -0.0031 | -0.0065 | FJD | 1.3278 | 1.4363 |
| NZD/GBP | 0.4469 | 0.0003 | 0.0011 | 0.0022 | 0.0037 | HKD | 4.6088 | 4.9852 |
| | | | | | | KRW | 827.42 | 895.01 |
| AU TWI | 60.10 | | | | | MYR | 2.5147 | 2.7201 |
| AUD/USD | 0.6423 | 0.0003 | 0.0008 | 0.0018 | 0.0032 | NOK | 6.1386 | 6.6400 |
| AUD/NZD | 1.0812 | -0.0007 | -0.0020 | -0.0038 | -0.0064 | SEK | 5.7330 | 6.2012 |
| AUD/JPY | 92.70 | -0.30 | -0.88 | -1.63 | -2.92 | SGD | 0.7690 | 0.8318 |
| AUD/EUR | 0.5684 | -0.0009 | -0.0027 | -0.0053 | -0.0102 | TWD | 18.04 | 19.52 |
| AUD/GBP | 0.4833 | 0.0001 | 0.0004 | 0.0008 | 0.0017 | ZAR | 10.85 | 11.74 |
| USD Index | 99.86 | | | | | EQUITIES | | |
| EUR/USD | 1.1299 | 0.0021 | 0.0068 | 0.0135 | 0.0254 | | Index | |
| USD/JPY | 143.87 | -0.50 | -1.53 | -2.87 | -5.23 | NZX50 | 12,497 | |
| GBP/USD | 1.3288 | 0.0002 | 0.0007 | 0.0014 | 0.0018 | ASX200 | 8,178 | |
| EUR/GBP | 0.8501 | 0.0015 | 0.0047 | 0.0091 | 0.0176 | Dow Jones | 41,114 | |
| USD/CNY | 7.225 | -0.0177 | -0.0525 | -0.1038 | -0.2075 | S&P 500 | 5,618 | |
| | | | | | | FTSE100 | 8,559 | |
| INTEREST | | | New Zealand | | Australia | DAX 30 | 23,116 | |
| RATES | | | Mid | | Mid | Nikkei | 36,780 | |
| 30 day bank bills | | | 3.53% | | 3.95% | COMMODITIES | | |
| 90 day bank bills | | | 3.39% | | 3.90% | | USD | |
| 1 year swap | | | 3.08% | | 3.39% | Brent Crude | 61.13 | |
| 2 year swap | | | 3.09% | | 3.23% | Gold | 3,370.86 | |
| 3 year swap | | | 3.21% | | 3.25% | Silver | 32.40 | |
| 5 year swap | | | 3.48% | | 3.64% | Iron Ore | 98.63 | |
| 10 year swap | | | 4.01% | | 4.10% | CRB Index | 353.68 | |
| 3 year Govt bond | | | 3.48% | | 3.39% | | NZD | |
| 5 year Govt bond | | | 3.88% | | 3.66% | NZ Carbon | 53.00 | |
| 10 year Govt bond | | | 4.58% | | 4.37% | | | |

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