

Market Alert

Friday 23 May 2025

CURRENCIES	Spot	6mths
NZD/USD	0.5899	0.0039
NZD/AUD	0.9203	0.0029
NZD/JPY	84.950	-1.17
NZD/EUR	0.5229	-0.0030
NZD/GBP	0.4397	0.0025
NZD/CNH	4.2815	-0.0352
AUD/USD	0.6409	0.0022
AUD/EUR	0.5681	-0.0051
EUR/USD	1.1280	0.0140
USD/CNH	7.2030	-0.1071
GBP/USD	1.3418	0.0011
EUR/GBP	0.8405	0.0096

INT RATES	NZ	Australia
OCR/Cash	3.50%	3.85%
90 day bills	3.33%	3.78%
2 year swap	3.16%	3.28%
10 year Govt	4.74%	4.55%

"I always win a trophy in my second season"

I guess everyone loves a punchy Aussie, and to be fair, big Ange called it ... and actually did it, which will fill the teams' coffers by an extra GBP100m next year! And let's give Sir Jim and Manchester United a minute's silence. When Jim Ratcliffe purchased United, it was valued at GBP4.0bn ... today ... its market cap is GBP1.7bn!

"Up, up and away ..."

... for my beautiful, my beautiful bond yield" ... I'm pretty sure that's how the song goes!

House Republicans reached an agreement on Trump's flagship "big, beautiful bill", even though the package includes a USD4trn increase in the US debt ceiling. It seems while everyone talks about lowering the US deficit,

no-one is prepared to actually do it, which has raised scrutiny around the US' fiscal trajectory. This will provide a headwind for long end rates with weaker auction results, such as yesterday's 20-year auction, providing further momentum to push rates higher at the very long end of the curve.

And this is also impacting global curves, which saw BoJ member Noguchi emphasise central banks should only ramp up bond purchases during "severe market disruption," adding that the central bank has no immediate need to counter the spike in super-long bond yields, stating, "The recent rise in super-long bond yields is likely driven by global trend in yields, they are rapid but not necessarily abnormal. The recent rise in long-term rates won't have an impact on our bond taper plan." There is no doubt that liquidity in the JGB market is deteriorating as inflation expectations become entrenched, with the concern being that higher Japanese rates will leave US asset prices exposed to price falls.

The minutes from the ECB's April meeting showed a surprising sense of 'dovish unity', as the members attempted to ascertain the impact of Trump's 'Liberation Day' announcement, as they weighed the possibility of a rate cut to tackle the uncertainty and disinflationary pressures.

German businesses remain cautiously optimistic after the IFO business sentiment improved from 86.9 to 87.3. Breaking it down, expectations improved to their highest level in a year, firming from 87.4 to 88.9, although the current assessment component weakened to

86.1 from 86.4.

Eurozone composite PMIs declined from 50.4 to 49.5 in May, indicating that the eurozone is falling back into stagnation territory.

Australian PMIs had the manufacturing inputs flatline at 51.7, while services weakened from 51.0 to 50.5, which weighed on the composite which fell from 51.0 to 50.6.

US initial jobless claims fell to a 4-week low, easing 2k to 227k. Continuing claims firmed 36k to 1,903k.

The Budget?

Forget it! A lot has been written on it, but financial markets largely ignored it.

So, in terms of what happened overnight, Asian and European equity markets were a sea of red as concerns about long-end yields weighed, although the US bourses performed marginally better, positive on the fact the tax bill has now moved to the senate, although concerns over the ballooning deficit are continuing to weigh. Commodity prices were also weaker on slowing growth concerns, while oil prices fell a touch further after it was announced the OPEC+ members are debating whether to super-size another production increase at its 1-June meeting. Surprisingly, treasury yields eased back from their recent highs, the 2-years softened 2bps to 4.01%, the 10-years eased 6bps to 4.55%, while the 30-years fell 4bps to 5.06%. The USD-index firmed 0.3% with the NZD and AUD the worst performers. Bitcoin soared to a new record high as it closes in on the USD112k level!



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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	68.70					CAD	0.8171 0.8880
NZD/USD	0.5899	0.0006	0.0019	0.0039	0.0067	CHF	0.4884 0.5310
NZD/AUD	0.9203	0.0005	0.0016	0.0029	0.0046	CNY	4.2483 4.6171
NZD/JPY	84.950	-0.21	-0.61	-1.17	-2.28	DKK	3.8991 4.2376
NZD/EUR	0.5229	-0.0005	-0.0015	-0.0030	-0.0066	FJD	1.3213 1.4360
NZD/GBP	0.4397	0.0004	0.0012	0.0025	0.0043	HKD	4.6156 5.0163
						KRW	814.73 885.47
AU TWI	59.80					MYR	2.5180 2.7366
AUD/USD	0.6409	0.0003	0.0009	0.0022	0.0040	NOK	6.0128 6.5348
AUD/NZD	1.0861	-0.0007	-0.0020	-0.0038	-0.0059	SEK	5.6820 6.1753
AUD/JPY	92.18	-0.28	-0.82	-1.57	-2.90	SGD	0.7617 0.8279
AUD/EUR	0.5681	-0.0009	-0.0026	-0.0051	-0.0097	TWD	17.71 19.25
AUD/GBP	0.4776	0.0001	0.0005	0.0012	0.0024	ZAR	10.61 11.54
USD Index	99.92					EQUITIES	
EUR/USD	1.1280	0.0022	0.0069	0.0140	0.0265		Index
USD/JPY	144.00	-0.50	-1.49	-2.93	-5.39	NZX50	12,662
GBP/USD	1.3418	0.0002	0.0006	0.0011	0.0013	ASX200	8,349
EUR/GBP	0.8405	0.0015	0.0047	0.0096	0.0187	Dow Jones	41,859
USD/CNY	7.2037	-0.0172	-0.0501	-0.1005	-0.2037	S&P 500	5,842
INTEREST		New Zealand		Australia		FTSE100	8,739
RATES		Mid		Mid		DAX 30	23,999
30 day bank bills			3.44%		3.79%	Nikkei	36,986
90 day bank bills			3.33%		3.78%	COMMODITIES	
1 year swap			3.14%		3.41%		USD
2 year swap			3.18%		3.29%	Brent Crude	64.10
3 year swap			3.31%		3.36%	Gold	3,290.99
5 year swap			3.61%		3.79%	Silver	33.01
10 year swap			4.17%		4.27%	Iron Ore	100.05
3 year Govt bond			3.59%		3.50%	CRB Index	362.27
5 year Govt bond			4.00%		3.80%		NZD
10 year Govt bond			4.74%		4.55%	NZ Carbon	54.65

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