

Market Alert

Thursday 29 May 2025

CURRENCIES	Spot	6mths
NZD/USD	0.5960	0.0038
NZD/AUD	0.9277	0.0027
NZD/JPY	86.340	-1.20
NZD/EUR	0.5279	-0.0032
NZD/GBP	0.4426	0.0024
NZD/CNH	4.2815	-0.0363
AUD/USD	0.6422	0.0022
AUD/EUR	0.5688	-0.0052
EUR/USD	1.1290	0.0139
USD/CNH	7.1928	-0.1062
GBP/USD	1.3462	0.0010
EUR/GBP	0.8383	0.0095
INT RATES	NZ	Australia
OCR/Cash	3.25%	3.85%
90 day bills	3.27%	3.74%
2 year swap	3.22%	3.27%
10 year Govt	4.69%	4.42%

The RBNZ ...

... let's start with the facts ... the MPC agreed to reduce the OCR by 25bps to 3.25%! This was what the markets had anticipated, and the new Governor duly delivered. Our Economic Alert in the immediate aftermath of the announcement summarised the key take-outs, so I won't go over it again, but I will reiterate that the Committee took the decision to vote on whether to leave the OCR unchanged, or to cut the OCR by 25bps, with the majority carrying the vote 5-1 in favour of the 25bps cut.

In the Q&A, young Christian was initially nervous, but once he got his mojo on, he settled in for the long run like a jockey on Red Rum! On the decision to vote, Governor Hawkesby suggested it was a healthy sign - and it often happens at cyclical turning points, adding that

while the committee doesn't vote at every meeting, *"there is the ability to vote if needed."* Noting that there is some uncertainty around the global outlook, the Governor added that the current cutting cycle had come *"a considerable way over a reasonably short length of time ... and that is going to support the economy"* emphasising that the rate cuts to date have yet to fully impact the economy.

Then came the turning point of the show ... asked where the *"neutral"* rate is, chief economist Paul Conway answered, *"We are definitely into that zone."* This implies the central bank is at, or near, the end of its cutting cycle, which saw markets start to unwind some of the projected cuts because ... markets like to front-run cyclical changes! Later, the Governor also added, *"The key message is that we have done a lot of work. We have come a long way and we're in a good position such that we can respond to developments as they occur, as opposed to being pre-programmed or pre-set to make any particular move."* In other words, we're becoming data dependant!

The *"we are definitely into that zone"* comment saw local swap rates gap 10bps-11bps higher on the day, with markets now pricing in one 25bps rate cut by year end, with a 28% chance of a second. US yields firmed overnight after a lacklustre Japanese 40-year JGB auction, which saw 2 and 10-year yields firm 1bps and 3bps to 4.00% and 4.48%. The NZD/USD spiked from 0.5950 to 0.5980 after the RBNZ chief economist's comment, and despite the stronger USD overnight, the NZD outperformed, while the JPY, EUR and AUD all weakened. The NZD/AUD

is now at 0.9275. Equity and commodity markets are mixed ahead of Nvidia's earnings release after the closing bell.

So, what to make of the new Governor? He definitely grew into the role as the conference progressed ... and a few more performances like this, and the job will be his for the taking!

Meanwhile, on the other side of the pond ...

... the Australian monthly inflation update saw the annual headline rate print at 2.4%, which was in line with the March release, but slightly above the expected 2.3%. The RBA's preferred rate, the trimmed mean, increased from 2.7% to 2.8%. This goes against the grain of the RBA's dovish comments last week and, as a result, Australian swap prices gapped 2bps-4bps higher.

Further afield, the Fed minutes highlighted that uncertainty about the economic outlook had increased further, making it appropriate to take a cautious approach until the impacts of government policies i.e. tariffs, become clearer. Policymakers also agreed the risks of higher unemployment and inflation had risen.

Eurozone 1-year inflation expectations rose from 2.9% to 3.1% in April, while the 3-year inflation expectations remained unchanged at 2.5%.



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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	68.90					CAD	0.8240 0.8880
NZD/USD	0.5960	0.0006	0.0019	0.0038	0.0063	CHF	0.4928 0.5313
NZD/AUD	0.9277	0.0006	0.0016	0.0027	0.0038	CNY	4.2795 4.6148
NZD/JPY	86.340	-0.21	-0.62	-1.20	-2.36	DKK	3.9355 4.2413
NZD/EUR	0.5279	-0.0005	-0.0015	-0.0032	-0.0070	FJD	1.3319 1.4354
NZD/GBP	0.4426	0.0004	0.0012	0.0024	0.0042	HKD	4.6713 5.0343
						KRW	818.22 881.80
AU TWI	59.60					MYR	2.5147 2.7101
AUD/USD	0.6422	0.0003	0.0009	0.0022	0.0042	NOK	6.0678 6.5392
AUD/NZD	1.0772	-0.0007	-0.0019	-0.0034	-0.0056	SEK	5.7487 6.1954
AUD/JPY	92.79	-0.28	-0.82	-1.56	-2.91	SGD	0.7682 0.8279
AUD/EUR	0.5688	-0.0009	-0.0027	-0.0052	-0.0098	TWD	17.82 19.20
AUD/GBP	0.4768	0.0001	0.0005	0.0011	0.0026	ZAR	10.68 11.51
USD Index	99.90					EQUITIES	
EUR/USD	1.1290	0.0022	0.0068	0.0139	0.0269		Index
USD/JPY	144.86	-0.50	-1.48	-2.92	-5.44	NZX50	12,362
GBP/USD	1.3462	0.0002	0.0005	0.0010	0.0013	ASX200	8,397
EUR/GBP	0.8383	0.0015	0.0047	0.0095	0.0192	Dow Jones	42,151
USD/CNY	7.1941	-0.0172	-0.0502	-0.1009	-0.2062	S&P 500	5,907
						FTSE100	8,726
INTEREST		New Zealand		Australia		DAX 30	24,038
RATES		Mid		Mid		Nikkei	37,722
30 day bank bills			3.37%		3.79%	COMMODITIES	
90 day bank bills			3.27%		3.74%		USD
1 year swap			3.18%		3.38%	Brent Crude	64.58
2 year swap			3.27%		3.28%	Gold	3,295.57
3 year swap			3.40%		3.33%	Silver	32.97
5 year swap			3.66%		3.74%	Iron Ore	99.48
10 year swap			4.16%		4.22%	CRB Index	358.85
3 year Govt bond			3.64%		3.45%		
5 year Govt bond			4.01%		3.71%		NZD
10 year Govt bond			4.69%		4.42%	NZ Carbon	55.75

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