

Market Alert

Tuesday 01 July 2025

CURRENCIES	Spot	6mths
NZD/USD	0.6095	0.0034
NZD/AUD	0.9265	0.0016
NZD/JPY	87.855	-1.27
NZD/EUR	0.5176	-0.0033
NZD/GBP	0.4442	0.0020
NZD/CNH	4.3627	-0.0357
AUD/USD	0.6578	0.0024
AUD/EUR	0.5585	-0.0046
EUR/USD	1.1775	0.0137
USD/CNH	7.1579	-0.0980
GBP/USD	1.3719	0.0012
EUR/GBP	0.8579	0.0090

INT RATES	NZ	Australia
OCR/Cash	3.25%	3.85%
90 day bills	3.29%	3.65%
2 year swap	3.17%	3.13%
10 year Govt	4.60%	4.26%

Have you ever dried yourself with a bathmat?

Unfortunately ... I have! After Saturday's game of footie, and a beer in the sheds, that hot shower was great ... but the issue was, as I ran out of the house, I just grabbed a towel off the heater rail ... but I accidentally grabbed a bathmat rather than a towel. It wasn't nice!

A steady night, with a few interesting moves ... the USD-index continues to struggle to find buyers and is now down over 10% for 2025 ... and we've still got 6-months of the year to go! But it's important to remember ... this is not a EUR, CHF, AUD or NZD move ... it's a diversification story! Although ultimately, the trend is your friend, and this morning the NZD/USD is closing in on the 0.6100 level while the AUD/USD is at 0.6575!

I suppose the most interesting move has been the adjustment in bond yields, but

it's probably fair when you consider that the US 10-years treasury yield, according to Bill Gross, traditionally targets a yield 175bps over US inflation. Unfortunately, Bill didn't mention whether he was referring to PCE or CPI inflation, but 2.30% or 2.40% + 1.75% = a 10-year yield at 4.05%-4.15%, which means we've a little way to go after last night's 5bps decline to 4.23%. The 2-years fell 2bps to 3.73%.

Commodity markets are holding up reasonably well, although crude dipped back below the USD65.00 level, while iron ore is heading for its 5th consecutive month of declines, its longest losing stretch since 2022. A report from the Australian government suggests the outlook for prices will remain soft due to strong global supply and weaker steel demand.

Equity markets ... well, what can you say ... it's another broken record! The S&P and the Nasdaq advanced around 0.5% each to reach new record highs, while the Dow added over 200 points. European bourses were 0.3% to 0.5% lower.

ECB President Christine Lagarde warned,

"The world ahead is more uncertain, and that is likely to make inflation more volatile. Regular supply disruptions are leading firms to adjust prices more frequently, contributing to greater inflation volatility."

- German inflation unexpectedly slowed to 2.0% in June, its lowest level since October last year, below the prior months 2.1%, and forecasts at 2.2%. Core inflation

also dipped to a 3-month low of 2.7%.

- The Dallas Fed's business manufacturing index recorded its 5th month of contraction, printing at -12.7 in June, although it was better than May's -15.3.

- UK business confidence hit its highest level since 2015 'jumping' from 50 to 51. Economic optimism also rose to a 10-month high, while hiring intentions surged with 60% of businesses now expecting to hire in the coming year.

- Japanese industrial production grew at 0.5% in May, and while it was a lot better than April's 1.1% contraction, it was a lot lower than forecasts at 3.4%.

- June's Chinese official manufacturing PMIs climbed to 49.7 from May's 49.5, non-manufacturing stood at 50.5 in June 2025, above the prior month's 50.3, which meant the composite rose from 50.4 to 50.7!

- The Melbourne Institute's inflation survey projects inflation will ease from 2.6% to 2.4%. Meanwhile, Australia's private sector credit grew at 0.5% in May to 6.9% on the year.

- New Zealand business confidence jumped from 36.6 to 46.3. The own activity outlook jumped from 34.8 to 40.9, while inflation expectations for the year ahead held steady at 2.71%.

While the BoJ is placing increasing emphasis on "underlying inflation" to justify its cautious approach to further rate hikes, Governor Kazuo Ueda warned, "We've de-anchored expectations from zero, but haven't yet re-anchored them at 2.0%."



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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	69.70					CAD	0.8302 0.8963
NZD/USD	0.6095	0.0006	0.0018	0.0034	0.0051	CHF	0.4834 0.5220
NZD/AUD	0.9265	0.0004	0.0010	0.0016	0.0023	CNY	4.3565 4.7014
NZD/JPY	87.855	-0.24	-0.64	-1.27	-2.32	DKK	3.8601 4.1674
NZD/EUR	0.5176	-0.0006	-0.0016	-0.0033	-0.0063	FJD	1.3438 1.4508
NZD/GBP	0.4442	0.0004	0.0011	0.0020	0.0034	HKD	4.7829 5.1637
						KRW	824.21 889.81
AU TWI	60.10					MYR	2.5652 2.7693
AUD/USD	0.6578	0.0004	0.0013	0.0024	0.0039	NOK	6.1397 6.6285
AUD/NZD	1.0787	-0.0005	-0.0013	-0.0021	-0.0033	SEK	5.7665 6.2255
AUD/JPY	94.15	-0.30	-0.79	-1.55	-2.76	SGD	0.7746 0.8363
AUD/EUR	0.5585	-0.0009	-0.0023	-0.0046	-0.0084	TWD	17.79 19.20
AUD/GBP	0.4792	0.0002	0.0006	0.0013	0.0024	ZAR	10.79 11.64
USD Index	96.88					EQUITIES	
EUR/USD	1.1775	0.0025	0.0071	0.0137	0.0243		Index
USD/JPY	144.14	-0.53	-1.48	-2.88	-5.03	NZX50	12,603
GBP/USD	1.3719	0.0002	0.0008	0.0012	0.0010	ASX200	8,542
EUR/GBP	0.8579	0.0017	0.0047	0.0090	0.0168	Dow Jones	44,014
USD/CNY	7.1636	-0.0170	-0.0505	-0.0934	-0.1870	S&P 500	6,199
						FTSE100	8,761
						DAX 30	23,910
						Nikkei	40,487
INTEREST		New Zealand		Australia		COMMODITIES	
RATES		Mid		Mid			USD
30 day bank bills		3.33%		3.66%		Brent Crude	67.63
90 day bank bills		3.29%		3.65%		Gold	3,307.24
1 year swap		3.16%		3.24%		Silver	36.09
2 year swap		3.19%		3.14%		Iron Ore	94.49
3 year swap		3.31%		3.19%		CRB Index	365.18
5 year swap		3.57%		3.59%			
10 year swap		4.08%		4.06%			
3 year Govt bond		3.57%		3.29%			
5 year Govt bond		3.94%		3.55%			
10 year Govt bond		4.60%		4.26%		NZ Carbon	58.70

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