

Market Alert

Monday 21 July 2025

| CURRENCIES | Spot | 6mths |
|------------|--------|---------|
| NZD/USD | 0.5972 | 0.0035 |
| NZD/AUD | 0.9160 | 0.0021 |
| NZD/JPY | 88.315 | -1.26 |
| NZD/EUR | 0.5133 | -0.0032 |
| NZD/GBP | 0.4448 | 0.0019 |
| NZD/CNH | 4.2815 | -0.0328 |
| AUD/USD | 0.6517 | 0.0023 |
| AUD/EUR | 0.5598 | -0.0048 |
| EUR/USD | 1.1626 | 0.0141 |
| USD/CNH | 7.1777 | -0.0962 |
| GBP/USD | 1.3410 | 0.0018 |
| EUR/GBP | 0.8666 | 0.0093 |

| INT RATES | NZ | Australia |
|--------------|-------|-----------|
| OCR/Cash | 3.25% | 3.85% |
| 90 day bills | 3.26% | 3.74% |
| 2 year swap | 3.18% | 3.25% |
| 10 year Govt | 4.68% | 4.44% |

Trade negotiations harden

The 1 August deadline for negotiating trade agreements with the US is very much in focus, with European negotiators set to meet this week to formulate a plan for retaliation measures if no tariff agreement is reached. The US is now seen to want a near-universal tariff on EU goods higher than 10%, with perhaps exemptions for aviation, some medical devices and alcohol, while quotas for steel and aluminium are also being discussed. Europe is facing a 30% tariff on most exports from 1 August, with separate tariffs on cars, steel and aluminium. In all, the EU estimates that US duties already cover EUR380 billion, or 70%, of its exports to the US. Europe is

not known for its ability to move quickly, so finding common ground before the deadline might be wishful thinking. A retaliation risks escalating tensions, the US-China example proving how quickly things can spiral, to the point where the tariff setting makes any trade effectively redundant. Market caution is set to build as the 1 August deadline draws nearer.

For now, the EUR is one of the best performing major currencies - the EUR/USD is up from 1.0200 at the start of the year to 1.1800 earlier this month. At 0.5130, the NZD/EUR is approaching lows not seen in a decade. While an easing bias is still being priced for the ECB.

Markets see only one further cut over the coming months, with policymakers clouded by tariff uncertainties. Let's see what 1 August brings...

At least someone's talking sense

While Trump administration may not be the first thing you think of when it comes to reasonable decision, it appears that the Treasury Secretary, Scott Bessent may have his head screwed on straight; the WSJ has reported that Bessent privately made the case to Trump against firing Fed Chair, Powell, citing the economy's resilience, the prospects of Fed rate cuts later this year, potential market impacts and legal obstacles, it does not really need to be said, but all of which are all reasonable. It is not so surprising that

when Trump was proposed the option of Bessent as the next Fed Chair he raised that Bessent was doing such a good job in the treasury he did not want to move him.

Today's the day ...

This morning, we will have the release of the June quarter NZ CPI figure, it is likely that the print will push higher than the March quarter's 2.5%, as price pressures remain. The majority of local banks expecting CPI to print towards the top of the RBNZ's range. What this means for future OCR cuts an unknown, it is likely that CPI will remain firm in this current quarter as council rate increases flow through, the RBNZ's expectation is that CPI will fall back towards the bottom of its 2.0-3.0% range, while the RBNZ will also undoubtedly be keeping an eye on domestic high frequency data which has softened over recent months which will help ease future inflationary pressures. Current pricing is for a ~70% chance of an 25bps cut in August.

This week is a slower week in terms of data with not too much to get excited about, NZ CPI is up there on things to get excited about. Other noteworthy releases include a myriad of services and manufacturing indexes from Japan, the Eurozone, the UK and the US.



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Daily Rates

Monday 21 July 2025

| FX | Spot | FECs (mid) | | | | Spot Mid | |
|-------------------|--------|-------------|---------|-----------|---------|-------------|----------|
| | Mid | 1mth | 3mths | 6mths | 12mths | NZD/... | AUD/... |
| NZ TWI | 68.90 | | | | | CAD | 0.8183 |
| NZD/USD | 0.5972 | 0.0006 | 0.0018 | 0.0035 | 0.0059 | CHF | 0.4783 |
| NZD/AUD | 0.9160 | 0.0004 | 0.0013 | 0.0021 | 0.0033 | CNY | 4.2866 |
| NZD/JPY | 88.315 | -0.24 | -0.64 | -1.26 | -2.34 | DKK | 3.8319 |
| NZD/EUR | 0.5133 | -0.0006 | -0.0016 | -0.0032 | -0.0066 | FJD | 1.3279 |
| NZD/GBP | 0.4448 | 0.0003 | 0.0010 | 0.0019 | 0.0035 | HKD | 4.6840 |
| | | | | | | KRW | 830.17 |
| AU TWI | 60.30 | | | | | MYR | 2.5332 |
| AUD/USD | 0.6517 | 0.0003 | 0.0010 | 0.0023 | 0.0040 | NOK | 6.0485 |
| AUD/NZD | 1.0937 | -0.0005 | -0.0016 | -0.0027 | -0.0047 | SEK | 5.7650 |
| AUD/JPY | 96.81 | -0.31 | -0.83 | -1.60 | -2.92 | SGD | 0.7668 |
| AUD/EUR | 0.5598 | -0.0009 | -0.0026 | -0.0048 | -0.0094 | TWD | 17.54 |
| AUD/GBP | 0.4848 | 0.0001 | 0.0004 | 0.0010 | 0.0019 | ZAR | 10.57 |
| | | | | | | | |
| USD Index | 98.46 | | | | | EQUITIES | |
| EUR/USD | 1.1626 | 0.0024 | 0.0070 | 0.0141 | 0.0259 | | Index |
| USD/JPY | 147.88 | -0.55 | -1.52 | -2.96 | -5.33 | NZX50 | 12,880 |
| GBP/USD | 1.3410 | 0.0003 | 0.0010 | 0.0018 | 0.0023 | ASX200 | 8,757 |
| EUR/GBP | 0.8666 | 0.0016 | 0.0045 | 0.0093 | 0.0175 | Dow Jones | 44,342 |
| USD/CNY | 7.1776 | -0.0168 | -0.0475 | -0.0914 | -0.1823 | S&P 500 | 6,297 |
| | | | | | | FTSE100 | 8,992 |
| INTEREST | | New Zealand | | Australia | | DAX 30 | 24,290 |
| RATES | | Mid | | Mid | | Nikkei | 39,819 |
| 30 day bank bills | | | 3.35% | | 3.81% | COMMODITIES | |
| 90 day bank bills | | | 3.26% | | 3.74% | | USD |
| 1 year swap | | | 3.15% | | 3.33% | Brent Crude | 69.28 |
| 2 year swap | | | 3.20% | | 3.26% | Gold | 3,349.26 |
| 3 year swap | | | 3.32% | | 3.32% | Silver | 38.17 |
| 5 year swap | | | 3.60% | | 3.74% | Iron Ore | 97.22 |
| 10 year swap | | | 4.14% | | 4.23% | CRB Index | 376.85 |
| 3 year Govt bond | | | 3.58% | | 3.41% | | |
| 5 year Govt bond | | | 3.98% | | 3.69% | | NZD |
| 10 year Govt bond | | | 4.68% | | 4.44% | NZ Carbon | 57.90 |

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