

Market Alert

Monday 04 August 2025

CURRENCIES	Spot	6mths
NZD/USD	0.5917	0.0033
NZD/AUD	0.9145	0.0022
NZD/JPY	87.135	-1.20
NZD/EUR	0.5105	-0.0030
NZD/GBP	0.4454	0.0020
NZD/CNH	4.2369	-0.0324
AUD/USD	0.6461	0.0019
AUD/EUR	0.5572	-0.0048
EUR/USD	1.1590	0.0126
USD/CNH	7.1879	-0.0944
GBP/USD	1.3274	0.0012
EUR/GBP	0.8721	0.0085
INT RATES	NZ	Australia
OCR/Cash	3.25%	3.85%
90 day bills	3.19%	3.74%
2 year swap	3.14%	3.32%
10 year Govt	4.61%	4.42%

The start of the stagflationary cycle?

Well... it could be ... for the US!

Following Thursday's stronger-than-expected PCE inflation report, Friday's non-farm payroll numbers were a shocker. In July, employers added 73k jobs, which was below the 110k expected, and if that wasn't bad enough, June's numbers were revised lower by 147k to 14k, while the May numbers were revised down by 125k to 19k! That's quite right ... the last 2-months of jobs gains were revised down by 258k! That is a hell of a correction ... and if you thought that was the end of it ... just wait for the September release which will feature the annual benchmark revisions for April 2024 thru to March 2025!

In amongst the detail, the US unemployment rate edged higher to

4.2%, from 4.1% in June, average hourly earnings firmed 0.3% to be at 3.9% for the year. The University of Michigan's consumer sentiment index came in at 61.7 in July from the preliminary estimate at 61.8, with 1-year inflation expectations dropping from 5.0% to 4.5%, while the 5-year projection declined for a third month in a row from 4.0% to 3.4%.

The huge job revisions saw the US dollar index fall 1.3%, back towards the 99.00 level after trading above the 100.00 level prior to the release. The JPY was the biggest beneficiary rallying 2.2% towards the 147.25 level, having reached 150.91, while the EUR rallied 1.4%. The NZD/USD recovered from its 0.5857 low to open this morning at 0.5920, while the AUD/USD went from 0.6419 to 0.6475.

US Treasury yields naturally tumbled on the payroll report as markets priced in a more aggressive cutting cycle from the Fed. The 2-year plummeted 26bps to 3.70%, the 10-year yield dropped 15bps to 4.22%, while the 30-year yield pulled back 6bps to 4.84% ... which will make for a very interesting open on the local swap curves. They will open lower, but the question is ... to what degree!

Equity markets also tumbled as investors weighed the stark signs of a weakening economy and President Trump's modified tariff rates. Most exchanges were 1.0% to 3.0% lower, while gold rallied 2.3% on safe haven flows as oil prices fell 3.0%.

Following the announcement, President Trump fired Bureau of Labor Statistics Commissioner Erika McEntarfer, tweeting, "We need accurate jobs numbers.

I have directed my Team to fire this Biden political appointee, IMMEDIATELY," while the Fed also announced that member Adriana Kugler had resigned. No reason was given for Kugler's resignation, and it's expected the President will appoint someone in favour of lower Fed rates.

With New Zealand inexplicitly seeing its US tariff cost increased from 10% to 15%, Trade Minister Todd McClay announced, "We will be making the case about why this shouldn't have happened and engaging very, very quickly with US officials to clarify this and to seek changes." Maybe, just maybe, it would have been better to engage before the announcement, rather than afterwards?

This week ...

Will start slowly with today being a NSW holiday. We also have a fair few releases later in the week with, from the US, ISM services PMIs, the trade balance, factory orders, Q2 productivity, jobless claims and labour costs. We also have a BoE meeting, Chinese consumer and producer inflation, Japanese household spending and current account balance, Eurozone retail sales and producer prices, German factory orders, industrial production, and trade, and from Australian, trade, PMIs, job-ads and household spending. Finally, from NZ we have commodity prices, unemployment, wage inflation, and the RBNZ inflation expectations ... which should provide some insight as to whether the RBNZ cuts in August or October.



BANCORP
BANCORP TREASURY SERVICES LIMITED

Barrington
TREASURY SERVICES

Barrington
ASSET CONSULTING



BANCORP
BANCORP CORPORATE FINANCE LIMITED

Daily Rates

Monday 04 August 2025

FX	Spot	FECs (mid)				Spot Mid	
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...
NZ TWI	68.60					CAD	0.8140 0.8894
NZD/USD	0.5917	0.0006	0.0018	0.0033	0.0052	CHF	0.4753 0.5197
NZD/AUD	0.9145	0.0005	0.0013	0.0022	0.0030	CNY	4.2544 4.6550
NZD/JPY	87.135	-0.21	-0.60	-1.20	-2.27	DKK	3.8071 4.1599
NZD/EUR	0.5105	-0.0005	-0.0015	-0.0030	-0.0061	FJD	1.3312 1.4545
NZD/GBP	0.4454	0.0003	0.0010	0.0020	0.0032	HKD	4.6413 5.0714
						KRW	820.58 896.63
AU TWI	60.10					MYR	2.5278 2.7621
AUD/USD	0.6461	0.0004	0.0010	0.0019	0.0031	NOK	6.0305 6.5894
AUD/NZD	1.0943	-0.0006	-0.0017	-0.0030	-0.0051	SEK	5.7037 6.2323
AUD/JPY	96.66	-0.30	-0.80	-1.55	-2.81	SGD	0.7618 0.8324
AUD/EUR	0.5572	-0.0009	-0.0024	-0.0048	-0.0085	TWD	17.63 19.27
AUD/GBP	0.4859	0.0001	0.0004	0.0009	0.0018	ZAR	10.67 11.66
USD Index	98.69					EQUITIES	
EUR/USD	1.1590	0.0023	0.0066	0.0126	0.0231		Index
USD/JPY	147.24	-0.52	-1.49	-2.83	-5.07	NZX50	12,729
GBP/USD	1.3274	0.0004	0.0009	0.0012	0.0007	ASX200	8,662
EUR/GBP	0.8721	0.0015	0.0044	0.0085	0.0163	Dow Jones	43,589
USD/CNY	7.2116	-0.0173	-0.0494	-0.0975	-0.1898	S&P 500	6,238
						FTSE100	9,069
						DAX 30	23,426
						Nikkei	40,800
INTEREST		New Zealand		Australia		COMMODITIES	
RATES		Mid		Mid			USD
30 day bank bills		3.28%		3.72%		Brent Crude	69.67
90 day bank bills		3.19%		3.74%		Gold	3,362.51
1 year swap		3.09%		3.31%		Silver	37.02
2 year swap		3.16%		3.33%		Iron Ore	99.57
3 year swap		3.29%		3.38%		CRB Index	364.11
5 year swap		3.55%		3.78%			
10 year swap		4.06%		4.22%			
3 year Govt bond		3.53%		3.47%			
5 year Govt bond		3.92%		3.73%			
10 year Govt bond		4.61%		4.42%		NZ Carbon	57.65

This document has been prepared by Bancorp Treasury Services Limited ("BTSL"). Whilst all reasonable care has been taken to ensure the facts stated are accurate and the opinions given are fair and reasonable, neither BTSL nor any of its directors, officers or employees shall in any way be responsible for the contents. No liability is assumed by BTSL, its directors, officers or employees for action taken or not taken on the basis of this document.



BANCORP
BANCORP TREASURY SERVICES LIMITED

Barrington
TREASURY SERVICES

Barrington
ASSET CONSULTING



BANCORP
BANCORP CORPORATE FINANCE LIMITED