

Market Alert

Thursday 07 August 2025

CURRENCIES	Spot	6mths
NZD/USD	0.5934	0.0034
NZD/AUD	0.9124	0.0023
NZD/JPY	87.335	-1.19
NZD/EUR	0.5091	-0.0029
NZD/GBP	0.4443	0.0020
NZD/CNH	4.2351	-0.0327
AUD/USD	0.6501	0.0019
AUD/EUR	0.5577	-0.0046
EUR/USD	1.1655	0.0129
USD/CNH	7.1836	-0.0945
GBP/USD	1.3353	0.0011
EUR/GBP	0.8724	0.0088
INT RATES	NZ	Australia
OCR/Cash	3.25%	3.85%
90 day bills	3.14%	3.72%
2 year swap	3.06%	3.25%
10 year Govt	4.53%	4.36%

It was a very quiet session overnight ...

With little to report on apart from a few mundane moves ... and even my personal life has entered a 'lull period'!

Word on the street is ...

That the two Kevins have the inside track on the Fed Governor role after The Donald confirmed Scott Bessent didn't want the role as he "wants to stay" at the Treasury. The two Kevins are Kevin Hassett, director of the National Economic Council, and Kevin Warsh, a former member of the Federal Reserve Board of Governors. As we all know, the appointment is supposed to be apolitical, so naturally, National Economic Council Director Kevin Hassett accused the Federal Reserve of injecting politics into its interest-rate decisions stating, "If you look at the pattern of the Fed movements

over the last few years, you could wonder, were they putting politics ahead of their mandate?"

But Fed member Susan Collins took a slightly different approach explaining, "The uncertainty is driving a wait-and-see approach to price setting. Policymakers must understand uncertainty as financial stability component," while colleague Lisa Cook added, "The latest jobs report is concerning. The unemployment rate is still a good indicator of slack. Big revisions can happen at economic turning points." Mary Daly added, "It's likely the Fed will need to adjust policy in the coming months."

Japan's ruling Liberal-Democratic Party leader Taro Kono has been calling for higher BoJ rates since at least the middle of 2024, and he reiterated that call again yesterday, stating, "We need higher rates to boost the JPY given the problems generated by the yen's weakness against the dollar, including the inflationary effect on domestic prices."

Eurozone retail sales firmed 0.3% in the June month.

NZ Q2 labour market data were a mixed bag, the unemployment rate firmed from 5.1% to 5.2% against forecasts at 5.3%. The participation rate eased from 70.8% to 70.5%, employment fell 0.1%, while labour costs eased from 2.5% to 2.2% against expectations at 2.3%

Despite forecasting 75bps of RBA rate cuts through Q1 2026, and 100bps from the Fed, UBS sees AUD/USD rallying to 0.7000 by early 2026.

Initially, the New Zealand dollar led currency markets amid a broader sell

USD theme following on from the 'slightly weaker but broadly in line with the RBNZ' employment release. But overnight the EUR outperformed, rallying 0.8% with the NZD and AUD lagging, each rallying 0.5%. Basically, while there was no outstanding rationale for the USD-weakness, it was more of a trend-reversion with the USD-index falling for a 4th straight session as the USD-index looks to potentially break below the 98.00 level.

The overnight USD42bn 10-year treasury auction was a bit of a failure with a high yield of 4.255% and a 1.1bps tail. The bid cover ratio was a lot lower, while foreign buyers were largely absent. It was a similar story in the UK with a poorly received 10-year gilt auction that generated a 1.0bps tail. As we stand, the US 2-year yield is 2bps lower at 3.71%, while the 10-year is 1bps higher at 4.23%.

Equity markets performed well overnight on positive earnings despite Berkshire shares stumbling as Warren Buffett prepares to step down. Overall, exchanges are trading 0.3%-1.3% higher, while commodity markets were mixed with oil prices 1.5% lower, gold prices 0.3% weaker, while copper prices rallied 0.5%.

All of the other bits and pieces ...

Are rather ho-hum. On the tariffs, President Trump signed an executive order imposing an additional 25% tariffs on India to an all-in rate of 50%, while it would appear the Swiss President is set to leave DC without reaching a tariff deal.



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Daily Rates

Thursday 07 August 2025

FX	Spot	FECs (mid)				Spot Mid	
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...
NZ TWI	68.60					CAD	0.8151 0.8933
NZD/USD	0.5934	0.0007	0.0019	0.0034	0.0052	CHF	0.4784 0.5245
NZD/AUD	0.9124	0.0005	0.0014	0.0023	0.0038	CNY	4.2606 4.6692
NZD/JPY	87.335	-0.20	-0.62	-1.19	-2.18	DKK	3.7977 4.1620
NZD/EUR	0.5091	-0.0005	-0.0014	-0.0029	-0.0055	FJD	1.3220 1.4489
NZD/GBP	0.4443	0.0003	0.0011	0.0020	0.0038	HKD	4.6566 5.1032
						KRW	821.02 899.78
AU TWI	60.30					MYR	2.5075 2.7480
AUD/USD	0.6501	0.0004	0.0010	0.0019	0.0029	NOK	6.0471 6.6272
AUD/NZD	1.0955	-0.0006	-0.0017	-0.0034	-0.0061	SEK	5.7009 6.2478
AUD/JPY	95.89	-0.27	-0.82	-1.56	-2.84	SGD	0.7621 0.8352
AUD/EUR	0.5577	-0.0008	-0.0024	-0.0046	-0.0086	TWD	17.73 19.43
AUD/GBP	0.4866	0.0001	0.0004	0.0010	0.0017	ZAR	10.53 11.54
USD Index	98.22					EQUITIES	
EUR/USD	1.1655	0.0024	0.0069	0.0129	0.0233		Index
USD/JPY	147.18	-0.51	-1.49	-2.81	-5.01	NZX50	12,880
GBP/USD	1.3353	0.0004	0.0009	0.0011	0.0007	ASX200	8,844
EUR/GBP	0.8724	0.0015	0.0045	0.0088	0.0166	Dow Jones	44,191
USD/CNY	7.1822	-0.0188	-0.0493	-0.0921	-0.1752	S&P 500	6,349
						FTSE100	9,164
						DAX 30	23,924
						Nikkei	40,795
INTEREST		New Zealand		Australia		COMMODITIES	
RATES		Mid		Mid			USD
30 day bank bills		3.22%		3.69%		Brent Crude	66.62
90 day bank bills		3.14%		3.72%		Gold	3,371.33
1 year swap		3.03%		3.34%		Silver	37.82
2 year swap		3.08%		3.26%		Iron Ore	101.36
3 year swap		3.21%		3.32%		CRB Index	361.67
5 year swap		3.46%		3.70%			
10 year swap		3.99%		4.15%			
3 year Govt bond		3.46%		3.41%			
5 year Govt bond		3.84%		3.67%			
10 year Govt bond		4.53%		4.36%		NZ Carbon	57.00

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