

Market Alert

Wednesday 13 August 2025

CURRENCIES	Spot	6mths
NZD/USD	0.5953	0.0034
NZD/AUD	0.9117	0.0023
NZD/JPY	87.960	-1.20
NZD/EUR	0.5100	-0.0028
NZD/GBP	0.4412	0.0022
NZD/CNH	4.2704	-0.0342
AUD/USD	0.6528	0.0019
AUD/EUR	0.5592	-0.0046
EUR/USD	1.1672	0.0130
USD/CNH	7.1859	-0.0987
GBP/USD	1.3489	0.0008
EUR/GBP	0.8649	0.0090
INT RATES	NZ	Australia
OCR/Cash	3.25%	3.60%
90 day bills	3.15%	3.68%
2 year swap	3.01%	3.23%
10 year Govt	4.49%	4.35%

Markets were largely focused on the US CPI release ...

As opposed to the RBA rate cut, and with US core inflation exceeding expectations, the USD-index weakened, falling 0.5% throughout the session. The CHF, EUR and GBP were the main beneficiaries, with the NZD and AUD underperforming, gaining just 0.3%. Interestingly, US bond markets took a more pragmatic approach with the 2-year yield easing 4bps to 3.74%, while the 10-years flatlined at 4.28%. Equity markets also reacted positively, rallying 0.3%-1.3%, although commodity markets were mixed with energy products lower after natural gas prices fell 5.5% on record production and high storage levels.

One down ... but how many will follow?

Yes, the RBA played to expectations,

cutting the Australian cash rate by 25bps, lowering it from 3.85% to 3.60%.

The statement played as one would expect, *"A further easing of monetary policy was appropriate given declines in underlying inflation back towards the target range band. Labour market conditions have eased further in recent months, but various indicators suggest that conditions remain a little tight"*. The statement also highlighted the RBA believes the US tariffs will weigh on August inflation, while the central bank also adjusted its GDP forecasts a smidge lower.

In the Q&A session, RBA Governor Michelle Bullock stated, *"A measured, gradual approach to monetary policy easing is appropriate. The labour market has eased only gradually, with the unemployment rate still relatively low. The rise in unemployment in June was in line with forecasts and not considered a shock. There was no discussion of a larger rate cut. The forecasts imply that cash rate might need to be lower for price stability."*

Now ... will the RBNZ and Fed follow suit?

The Fed is an interesting one, with unemployment starting to rise and inflationary pressures building in the pipe after last night's US CPI inflation report showed that while the annual inflation rate held at 2.7% in July, defying forecasts of a tariff-driven rise to 2.8%, core inflation climbed from 2.9% to 3.1%, which was above expectations at 3.0%. On a monthly basis, CPI rose 0.2%, as expected, while core CPI increased 0.3%, its largest gain in 6-months.

The other data-relevant headlines overnight were ...

- The US federal budget deficit surged to USD291.0bn in July, worse than the forecast USD215.0bn and June's unexpected USD27.0bn surplus.

- The German ZEW economic sentiment index disappointed after it dropped for the first time in 4-months to 34.7 in August, down from July's 2-year high at 52.7. Forecasts had been at 40.

- UK payroll employment fell by 8k between June and July. While it was the eighth monthly fall in the past nine months, it was the smallest of those declines. This saw the unemployment rate flatline at 4.7%.

- UK regular pay, excluding bonuses, rose 5.0% on the year, in the 3-months to June, unchanged on the prior period.

Trump starts on Powell Again!

Although, this time he threw in the added threat of a lawsuit, tweeting, *"Jerome 'Too Late' Powell must NOW lower the (Fed Funds) rate. Fortunately, the economy is sooo good that we've blown through Powell and the complacent Board"* before adding, *"I am considering allowing a major lawsuit against Powell to proceed because of the horrible, and grossly incompetent, job he has done in managing the construction of the Fed Building. Not good!"*

After collecting the June data, Goldman's analysis suggests foreign exporters have absorbed about 14% of the US tariffs, while American companies have taken on 64% of the costs ... which means the US consumer is absorbing the 22% balance through higher prices. Unfortunately, Goldman also projected consumer costs will jump a further 70% in the coming months.



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Daily Rates

Wednesday 13 August 2025

FX	Spot	FECs (mid)				Spot Mid	
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...
NZ TWI	68.80					CAD	0.8201 0.8994
NZD/USD	0.5953	0.0007	0.0019	0.0034	0.0053	CHF	0.4801 0.5266
NZD/AUD	0.9117	0.0004	0.0014	0.0023	0.0041	CNY	4.2758 4.6878
NZD/JPY	87.960	-0.22	-0.60	-1.20	-2.21	DKK	3.8043 4.1725
NZD/EUR	0.5100	-0.0005	-0.0014	-0.0028	-0.0055	FJD	1.3241 1.4523
NZD/GBP	0.4412	0.0003	0.0011	0.0022	0.0039	HKD	4.6723 5.1244
						KRW	823.56 903.26
AU TWI	60.30					MYR	2.5165 2.7600
AUD/USD	0.6528	0.0004	0.0010	0.0019	0.0031	NOK	6.0799 6.6683
AUD/NZD	1.0960	-0.0006	-0.0018	-0.0031	-0.0059	SEK	5.6826 6.2325
AUD/JPY	96.29	-0.29	-0.80	-1.57	-2.83	SGD	0.7633 0.8372
AUD/EUR	0.5592	-0.0008	-0.0024	-0.0046	-0.0084	TWD	17.81 19.54
AUD/GBP	0.4837	0.0001	0.0004	0.0011	0.0022	ZAR	10.46 11.47
USD Index	98.07					EQUITIES	
EUR/USD	1.1672	0.0025	0.0067	0.0130	0.0230		Index
USD/JPY	147.76	-0.54	-1.46	-2.83	-4.99	NZX50	12,760
GBP/USD	1.3489	0.0005	0.0009	0.0008	-0.0001	ASX200	8,881
EUR/GBP	0.8649	0.0015	0.0044	0.0090	0.0169	Dow Jones	44,459
USD/CNY	7.1785	-0.0183	-0.0482	-0.0962	-0.1750	S&P 500	6,440
						FTSE100	9,148
						DAX 30	24,025
						Nikkei	42,718
INTEREST		New Zealand		Australia		COMMODITIES	
RATES		Mid		Mid			USD
30 day bank bills		3.18%		3.63%		Brent Crude	66.14
90 day bank bills		3.15%		3.68%		Gold	3,346.67
1 year swap		3.01%		3.32%		Silver	37.87
2 year swap		3.05%		3.24%		Iron Ore	101.96
3 year swap		3.17%		3.29%		CRB Index	364.68
5 year swap		3.43%		3.69%			
10 year swap		3.94%		4.15%			
3 year Govt bond		3.44%		3.40%			
5 year Govt bond		3.81%		3.66%			
10 year Govt bond		4.49%		4.35%		NZ Carbon	57.25

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