

# Market Alert

Wednesday 3 September 2025

CURRENCIES	Spot	6mths
NZD/USD	0.5866	0.0037
NZD/AUD	0.8994	0.0031
NZD/JPY	87.025	-1.07
NZD/EUR	0.5039	-0.0022
NZD/GBP	0.4380	0.0025
NZD/CNH	4.1858	-0.0265
AUD/USD	0.6521	0.0018
AUD/EUR	0.5601	-0.0044
EUR/USD	1.1640	0.0123
USD/CNH	7.1382	-0.0888
GBP/USD	1.3391	0.0004
EUR/GBP	0.8690	0.0088
INT RATES	NZ	Australia
OCR/Cash	3.00%	3.60%
90 day bills	3.00%	3.62%
2 year swap	2.88%	3.27%
10 year Govt	4.51%	4.48%

## There was some good news, and some bad news, for New Zealand!

The good news was that the Q2 terms of trade surged 4.1% after exports rose 0.2%, while imports contracted 3.7%, but that positive was outweighed by the bad news, which was a shocker of a GDT auction with the headline index falling 4.3%! With Fonterra expecting an increase in supply, and the recent breakdown in the butter correlation, some weakness had been expected, and this proved true with butter prices falling 2.5%. But the depressing fact was that there was weakness across the board with Butter Milk Powder falling 6.3%, SMP crashing 5.8%, while WMP plummeted 5.3%. Mozzarella fell 4.6%, AMF eased 2.6%, with the one bright spot being cheddar, which firmed 3.6%! While volumes were at the mid-point of

expectations, and reasonable, it should be noted that 6 out of the last 8 auctions have been negative.

Financial markets were messy overnight. September is historically the weakest month for equities, and with US markets opening weaker, sentiment weighed across the board with a risk off sentiment dominating, which saw most exchanges close 0.8% - 1.5% lower.

Bond markets also saw concentrated selling as fiscal and inflationary concerns weighed. UK markets were hit particularly hard with the 30-year gilt yield reaching, its highest level since 1998, as pressure mounted on PM Starmer to win the confidence of investors, with the government running current account and fiscal deficits, the economy seeing a spike in inflation, and growth expectations being scaled back. US Treasury yields firmed with the 10-year gaining 4bps to 4.27%.

In amongst the volatility, the USD-index posted strong gains, firming 0.7%, with the GBP hit particularly hard, falling 1.1%, as the GBP/USD fell below the 1.3400 level. In a race to the bottom, the JPY, NZD and AUD also came under selling pressure, with the NZD/USD falling through support at 0.5880, although the AUD/USD managed to hold on to the 0.6500 handle, sending the NZD/AUD below the 0.9000 level.

Despite the dairy weakness, commodity markets had a strong session, with oil prices gaining 1.5%. Gold rallied 1.8%, while copper firmed 1.3%.

## Looking at the other releases ...

- US manufacturing PMIs increased from 48.0 to 48.7 in August, although it was below expectations at 49.0. It was the 6th consecutive month in contractionary territory.

- Eurozone inflation rose to 2.1% in August, slightly above the July print, and expectations, both at 2.0%.

- Australian net exports contributed 0.1% to Q2 GDP, which meant the current account deficit narrowed from AUD14.7bn to AUD13.7bn.

Trump tweeted, "We're going to the Supreme Court tomorrow. If you took away the tariffs, we could be a third world country." By all accounts, the US has collected around USD280bn in tariffs so far, which Trump addressed, tweeting, "If the ruling ever went against us, we would have to give trillions back!"

BoJ Deputy Governor Himino confirmed, "It is appropriate to continue raising rates in line with improvements in the economy and prices. The BoJ's baseline scenario is for underlying inflation to stagnate, but to eventually reach 2.0%." He then moved on to the central bank's balance sheet stating, "It would be prudent to reduce the size of the BoJ's balance sheet over time. The BoJ's plan to reduce JGB buying should be based on the principle that long-term rates are formed by markets."

ECB board member Madis Muller announced, "It makes sense to hold rates and watch the economy", while colleague Primož Dolenc added, "The current policy settings are seen as sufficient to reach our inflation target."



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# Daily Rates

Wednesday 3 September 2025

FX	Spot	FECs (mid)				Spot Mid	
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...
NZ TWI	68.00					CAD	0.8078
NZD/USD	0.5866	0.0006	0.0019	0.0037	0.0063	CHF	0.4717
NZD/AUD	0.8994	0.0005	0.0015	0.0031	0.0059	CNY	4.1832
NZD/JPY	87.025	-0.21	-0.56	-1.07	-1.96	DKK	3.7585
NZD/EUR	0.5039	-0.0005	-0.0012	-0.0022	-0.0043	FJD	1.3089
NZD/GBP	0.4380	0.0003	0.0012	0.0025	0.0050	HKD	4.5781
						KRW	818.20
AU TWI	60.60					MYR	2.4775
AUD/USD	0.6521	0.0004	0.0010	0.0018	0.0026	NOK	5.8788
AUD/NZD	1.1113	-0.0007	-0.0020	-0.0040	-0.0077	SEK	5.5388
AUD/JPY	96.63	-0.30	-0.79	-1.52	-2.82	SGD	0.7553
AUD/EUR	0.5601	-0.0009	-0.0023	-0.0044	-0.0086	TWD	18.03
AUD/GBP	0.4868	0.0001	0.0005	0.0011	0.0023	ZAR	10.37
USD Index	98.33					EQUITIES	
EUR/USD	1.1640	0.0024	0.0065	0.0123	0.0224		Index
USD/JPY	148.34	-0.52	-1.42	-2.72	-4.90	NZX50	13,133
GBP/USD	1.3391	0.0004	0.0007	0.0004	-0.0018	ASX200	8,901
EUR/GBP	0.8690	0.0015	0.0044	0.0088	0.0174	Dow Jones	45,296
USD/CNY	7.139	-0.0182	-0.0463	-0.0865	-0.1653	S&P 500	6,416
						FTSE100	9,117
INTEREST		New Zealand		Australia		DAX 30	23,487
RATES		Mid		Mid		Nikkei	42,310
30 day bank bills			3.10%		3.61%	COMMODITIES	
90 day bank bills			3.00%		3.62%		USD
1 year swap			2.83%		3.34%	Brent Crude	69.16
2 year swap			2.91%		3.28%	Gold	3,536.76
3 year swap			3.05%		3.36%	Silver	40.89
5 year swap			3.35%		3.77%	Iron Ore	104.26
10 year swap			3.95%		4.25%	CRB Index	376.73
3 year Govt bond			3.31%		3.47%		
5 year Govt bond			3.74%		3.74%		NZD
10 year Govt bond			4.51%		4.48%	NZ Carbon	57.97

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