

Market Alert

Thursday 9 October 2025

CURRENCIES	Spot	6mths
NZD/USD	0.5785	0.0043
NZD/AUD	0.8783	0.0050
NZD/JPY	88.305	-0.84
NZD/EUR	0.4976	-0.0010
NZD/GBP	0.4319	0.0035
NZD/CNH	4.1355	-0.0170
AUD/USD	0.6585	0.0009
AUD/EUR	0.5665	-0.0046
EUR/USD	1.1623	0.0110
USD/CNH	7.1494	-0.0821
GBP/USD	1.3391	-0.0009
EUR/GBP	0.8677	0.0087
INT RATES	NZ	Australia
OCR/Cash	2.50%	3.60%
90 day bills	2.57%	3.63%
2 year swap	2.62%	3.40%
10 year Govt	4.29%	4.45%

How low can it go?

As you would have heard from almost every news outlet (and political party) already, the RBNZ took the slightly bold decision to lower the OCR yesterday by an outsized 50bps, to 2.50%. Overall, with the neutral rate guesstimated to be between 2.50% - 3.50%, and given the depressive nature of our recent economic performance, reducing the rate faster into stimulatory territory makes sense and will hopefully bolster economic sentiment, which remains subdued. The key take outs from the RBNZ statement was the acknowledgement that it is "open to further reductions." And due to the significant spare capacity in the economy, despite the Committee noting that in Q3 inflation is projected to hit 3.0%, inflation is expected to subside towards target mid-point by H1 2026. This cut solidifies

the possibility of a 2.25% OCR by the end of this year and brings into play 2.00%. At this stage, the market is fully pricing in another 25bps at the November meeting, with a 55% possibility of a further OCR cut to 2.00% in Q2 2026.

More easing from the Fed this year

Overnight, we had the minutes from the Fed's September meeting, which displayed largely what you would expect - most participants judging that the downside risk to employment and the upside risk to inflation have both increased. This leaves the Fed in a predicament caused by its dual mandate. Interestingly, most participants judged it likely to ease interest rates further in 2025 and while no numbers were given, members saw stronger economic growth over the next three years.

The latest Republican bill to end the US government shutdown failed in the Senate, meaning the Fed will remain in the dark for a little while longer as the shutdown continues to disrupt data releases (as well as many other US government services). It is much worse for others, as more than 250k federal workers missed pay-checks with 2 million more at risk of losing pay.

Also in the US, the New York Fed's Survey of Consumer Expectations revealed that respondents expect that unemployment will be higher in the year to August 2026, with a rise in the expected probability of losing one's job.

Following on from earlier in the week when the French Prime Minister, Sebastien Lecornu, resigned, the stand-in Prime Minister has eluded that there will likely be someone appointed imminently, after commenting "As of this evening, I consider the mission finished".

All aboard!

As one would expect from a 50bp rate cut, the NZD/USD weakened to a low of 0.5737 on the news but has recovered slightly to currently be at 0.5785. Local interest rates fell sharply following the RBNZ announcement. The 90-day bank bill has fallen 20bps from the start of the week to be at 2.57%, while interest rate swap rates extended moves into fresh lows.

Internationally, with the lack of data due to the US shutdown, markets are in a state of 'see no evil, speak no evil, hear no evil'. US equities continued their relentless push higher, with the S&P and Nasdaq both closing at record highs. It is the same story for precious metals as gold pushed well and truly through the USD4000 mark to be up a further 1.7% overnight, while silver is up a staggering 3.0%, currently just below USD50. The USD index was stronger overnight, pushing towards the 99.00 level, while US Treasury yields were lacklustre, with the 2-year 2bps higher at 3.58%, while the 10-year was flat at 4.12%.



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Daily Rates

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FX	Spot	FECs (mid)				Spot Mid	
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...
NZ TWI	66.60					CAD	0.8070 0.9188
NZD/USD	0.5785	0.0008	0.0023	0.0043	0.0077	CHF	0.4636 0.5279
NZD/AUD	0.8783	0.0008	0.0026	0.0050	0.0104	CNY	4.1504 4.7014
NZD/JPY	88.3050	-0.16	-0.48	-0.8425	-1.56	DKK	3.7152 4.2297
NZD/EUR	0.4976	-0.0002	-0.0006	-0.0010	-0.0021	FJD	1.2919 1.4709
NZD/GBP	0.4319	0.0005	0.0017	0.0035	0.0067	HKD	4.5012 5.1245
						KRW	822.63 936.55
AU TWI	61.20					MYR	2.4374 2.7749
AUD/USD	0.6585	0.0003	0.0007	0.0009	0.0007	NOK	5.7694 6.5684
AUD/NZD	1.1381	-0.0011	-0.0034	-0.0069	-0.0135	SEK	5.4557 6.2112
AUD/JPY	100.17	-0.28	-0.85	-1.55	-2.97	SGD	0.7491 0.8529
AUD/EUR	0.5665	-0.0008	-0.0024	-0.0046	-0.0091	TWD	17.66 20.11
AUD/GBP	0.4916	0.0001	0.0005	0.0010	0.0017	ZAR	9.91 11.28
USD Index	98.91					EQUITIES	
EUR/USD	1.1623	0.0021	0.0061	0.0110	0.0202		Index
USD/JPY	152.63	-0.48	-1.44	-2.57	-4.68	NZX50	13,568
GBP/USD	1.3391	0.0001	-0.0001	-0.0009	-0.0033	ASX200	8,948
EUR/GBP	0.8677	0.0015	0.0046	0.0087	0.0171	Dow Jones	46,645
USD/CNY	7.119	-0.0146	-0.0398	-0.0711	-0.1340	S&P 500	6,747
						FTSE100	9,549
INTEREST		New Zealand		Australia		DAX 40	24,597
RATES		Mid		Mid		Nikkei	47,735
30 day bank bills			2.67%		3.57%	COMMODITIES	
90 day bank bills			2.57%		3.63%		USD
1 year swap			2.51%		3.41%	Brent Crude	66.20
2 year swap			2.62%		3.40%	Gold	4,051.89
3 year swap			2.79%		3.46%	Silver	49.29
5 year swap			3.11%		3.64%	Iron Ore	104.22
10 year swap			3.72%		4.08%	CRB Index	375.40
3 year Govt bond			3.01%		3.58%		
5 year Govt bond			3.46%		3.80%		NZD
10 year Govt bond			4.29%		4.45%	NZ Carbon	56.00

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