

Market Alert

Tuesday 11 February 2025

CURRENCIES	Spot	6mths
NZD/USD	0.5645	0.0023
NZD/AUD	0.8990	0.0023
NZD/JPY	85.780	-1.40
NZD/EUR	0.5475	-0.0033
NZD/GBP	0.4562	0.0018
NZD/CNH	4.1269	-0.0218
AUD/USD	0.6277	0.0009
AUD/EUR	0.6087	-0.0053
EUR/USD	1.0311	0.0103
USD/CNH	7.3094	-0.0677
GBP/USD	1.2372	0.0000
EUR/GBP	0.8331	0.0082

INT RATES	NZ	Australia
OCR/Cash	4.25%	4.35%
90 day bills	3.87%	4.25%
2 year swap	3.40%	3.76%
10 year Govt	4.62%	4.50%

So, what are reciprocal tariffs?

According to The Pres, or TOM as he will soon become known, it means, "If they charge us, we'll charge them!"

So, once again ...

... the President is making headlines and impacting the NZD. With the threat of reciprocal tariffs and threats of 25.0% tariffs on steel and aluminium imports, the USD-index firmed, which saw the NZD ease back -0.25%. But in amongst the noise, the AUD also strengthened, which saw NZD/AUD drop to a 3-month low below the 0.9000 level. The JPY also started yesterday's session strongly, with NZD/JPY falling to 85.25, although the stronger USD in the Asian open saw the pair retreat back to the 85.75 level.

Despite markets pricing in a 95.0% possibility of the RBA cutting the Australian cash rate next week, the Australian 10-year bond yield firmed 9bps yesterday to 4.44%, which helped support the AUD. Conversely, the German 10-year bund yield fell to a 5-week low as investors turned their attention to the risk of a tariff war and deflationary pressures within the Eurozone. Interestingly, US yields were quiet with the 2-years -2bps lower at 4.28%, while the 10-years continues to trade around the 4.50% level.

For some reason equity markets were buoyed by the talk of tariffs, with the European and US exchanges rallying 0.50%-1.50%, while the Shanghai Composite index rose 0.50% on a Deutsche report suggesting Chinese markets will rally strongly given their recent technology advancements such as Deepseek.

Commodity markets were mixed, with aluminium futures posting modest gains although steel rebar futures -0.6% lower. Iron ore prices were also a touch firmer.

There wasn't a great deal to report on overnight, but breaking it down:

- US consumer inflation expectations for the year ahead remained at 3.0% for a third consecutive month.
- China is reportedly planning to retaliate against US tariffs by targeting and investigating US technology firms such as Broadcom and Synopsis.

ECB President, Christine Lagarde announced, "The ECB's fight against inflation isn't over. The inflation outlook is more uncertain due to trade friction, but the conditions for a recovery are in place. The solid jobs market and higher incomes should strengthen consumer confidence and allow spending to rise."

The French Finance Minister Eric Lombard confirmed, "Europe will answer to US tariff moves as strongly as the position of the United States. We are prepared to do whatever is necessary to be balanced, we are ready. The digital tax is unrelated to the trade war and will not be changed."

And one last thing ...

... cause I'm really struggling now ... President Donald Trump has announced that he's instructed Treasury Secretary Scott Bessent to halt the production of pennies, citing the high cost of producing one cent coins as, "For far too long the United States has minted pennies which literally cost us more than 2 cents to make." The US Mint reported losing USD85.3 million in 2024 for the production of pennies.



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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	67.70					CAD	0.8080	0.8989
NZD/USD	0.5645	0.0002	0.0009	0.0023	0.0052	CHF	0.5141	0.5721
NZD/AUD	0.8990	0.0002	0.0009	0.0023	0.0049	CNY	4.1218	4.5848
NZD/JPY	85.780	-0.24	-0.72	-1.40	-2.52	DKK	4.0812	4.5397
NZD/EUR	0.5475	-0.0005	-0.0016	-0.0033	-0.0068	FJD	1.2857	1.4302
NZD/GBP	0.4562	0.0002	0.0008	0.0018	0.0037	HKD	4.3954	4.8893
						KRW	818.89	910.89
AU TWI	60.20					MYR	2.5207	2.8039
AUD/USD	0.6277	0.0001	0.0004	0.0009	0.0022	NOK	6.3195	7.0295
AUD/NZD	1.1120	-0.0003	-0.0013	-0.0030	-0.0065	SEK	6.1573	6.8491
AUD/JPY	95.40	-0.29	-0.91	-1.81	-3.33	SGD	0.7648	0.8507
AUD/EUR	0.6087	-0.0007	-0.0024	-0.0053	-0.0109	TWD	18.50	20.58
AUD/GBP	0.5072	0.0001	0.0004	0.0007	0.0012	ZAR	10.42	11.59
USD Index	108.29					EQUITIES		
EUR/USD	1.0311	0.0013	0.0047	0.0103	0.0224		Index	
USD/JPY	151.94	-0.50	-1.53	-3.09	-5.83	NZX50	12,876	
GBP/USD	1.2372	-0.0001	-0.0002	0.0000	0.0012	ASX200	8,483	
EUR/GBP	0.8331	0.0011	0.0039	0.0082	0.0170	Dow Jones	44,416	
USD/CNY	7.3045	-0.0145	-0.0487	-0.1050	-0.2310	S&P 500	6,068	
						FTSE100	8,768	
INTEREST		New Zealand		Australia		DAX 30	21,912	
RATES		Mid		Mid		Nikkei	38,801	
30 day bank bills		4.05%		4.26%		COMMODITIES		
90 day bank bills		3.87%		4.25%			USD	
1 year swap		3.48%		3.89%		Brent Crude	75.89	
2 year swap		3.45%		3.77%		Gold	2,905.40	
3 year swap		3.51%		3.78%		Silver	32.06	
5 year swap		3.69%		4.06%		Iron Ore	106.37	
10 year swap		4.11%		4.38%		CRB Index	371.44	
3 year Govt bond		3.78%		3.85%			NZD	
5 year Govt bond		4.06%		4.02%		NZ Carbon	63.50	
10 year Govt bond		4.62%		4.50%				

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