

Market Alert

Wednesday 12 February 2025

CURRENCIES	Spot	6mths
NZD/USD	0.5649	0.0023
NZD/AUD	0.8982	0.0022
NZD/JPY	86.095	-1.37
NZD/EUR	0.5460	-0.0033
NZD/GBP	0.4546	0.0018
NZD/CNH	4.1298	-0.0236
AUD/USD	0.6288	0.0009
AUD/EUR	0.6078	-0.0053
EUR/USD	1.0345	0.0102
USD/CNH	7.3111	-0.0715
GBP/USD	1.2425	0.0000
EUR/GBP	0.8324	0.0082

INT RATES	NZ	Australia
OCR/Cash	4.25%	4.35%
90 day bills	3.86%	4.24%
2 year swap	3.42%	3.82%
10 year Govt	4.63%	4.51%

Fed in no hurry to cut

US Federal Reserve ("Fed") Chairman, Jerome Powell, testified before Congress that the Fed is in no hurry to cut interest rates, stating "We know that reducing policy restraint too fast or too much could hinder progress on inflation. At the same time, reducing policy restraint too slowly or too little could unduly weaken economic activity and employment. In considering the extent and timing of additional adjustments to the target range for the federal funds rate, the FOMC will assess incoming data, the evolving outlook, and the balance of risks."

Powell continued the statement by reinforcing the Fed's stance, claiming "As the economy evolves, we will adjust our policy stance in a manner that best promotes our maximum-employment and price-stability goals. If the economy remains strong and inflation does not continue to

move sustainably toward 2 percent, we can maintain policy restraint for longer. If the labour market were to weaken unexpectedly or inflation were to fall more quickly than anticipated, we can ease policy accordingly. We are attentive to the risks to both sides of our dual mandate, and policy is well positioned to deal with the risks and uncertainties that we face."

In the Q&A, Powell was asked if the US economy was experiencing a soft landing, to which he replied that it was "... not for [him] to say." The statement prompted a modest rise in US Treasury yields, reaching their highs as Powell spoke, then retreating with the 2-year yield currently sitting at 4.28% and the 10-year yield at 4.53%. Markets currently haven't fully priced in another cut until September this year, with less than two cuts priced in for all of 2025. The speech also saw some USD weakness, with the NZD/USD rising to currently sit near 0.5650, while the AUD/USD rose to 0.6288. Let's see what tariff headlines we get today...

Australia sentiment mixed

Business confidence in Australia rose by 6 points in January according to NAB's Monthly Business Survey, bringing the index back into positive territory at 4, up from December's reading of -2. Confidence remained weakest in consumer-facing industries, while transport & utilities and mining saw stronger confidence.

Consumer sentiment remained basically unchanged, with a 0.1% increase to 92.2 in January, barely up from December's reading of 92.1, with the report stating a

'cautiously pessimistic' consumer mood as a result of stretched household finances and a larger-than-normal 'financial hangover' from the holiday season. Bring on next week's RBA cut!

January effect

Markets were relatively subdued ahead of tomorrow morning's US CPI report for January. January stands out compared to the rest of the year as it is when most firms in the US push through annual price changes. This makes this figure hard to forecast and therefore increases the probability of surprises away from expectations. Last January's higher than expected figure led to a notable change in market pricing of rate cuts. Expectations are for annual CPI to remain at 2.9%, with the monthly figure expected to ease to 0.3%. Be mindful of surprises away from expectations and whether they are driven by seasonal factors or not.



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Daily Rates

Wednesday 12 February 2025

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	67.60					CAD	0.8076	0.8993
NZD/USD	0.5649	0.0002	0.0009	0.0023	0.0053	CHF	0.5159	0.5746
NZD/AUD	0.8982	0.0002	0.0009	0.0022	0.0048	CNY	4.1264	4.5940
NZD/JPY	86.095	-0.24	-0.73	-1.37	-2.54	DKK	4.0710	4.5331
NZD/EUR	0.5460	-0.0005	-0.0016	-0.0033	-0.0066	FJD	1.2857	1.4317
NZD/GBP	0.4546	0.0002	0.0008	0.0018	0.0037	HKD	4.3999	4.8993
						KRW	820.16	913.26
AU TWI	60.20					MYR	2.5225	2.8088
AUD/USD	0.6288	0.0001	0.0004	0.0009	0.0021	NOK	6.3252	7.0432
AUD/NZD	1.1131	-0.0003	-0.0013	-0.0032	-0.0069	SEK	6.1406	6.8376
AUD/JPY	95.85	-0.29	-0.91	-1.78	-3.39	SGD	0.7643	0.8511
AUD/EUR	0.6078	-0.0007	-0.0024	-0.0053	-0.0109	TWD	18.54	20.64
AUD/GBP	0.5060	0.0001	0.0004	0.0007	0.0011	ZAR	10.44	11.63
USD Index	108.06					EQUITIES		
EUR/USD	1.0345	0.0013	0.0047	0.0102	0.0222		Index	
USD/JPY	152.42	-0.50	-1.54	-3.05	-5.87	NZX50	12,917	
GBP/USD	1.2425	-0.0001	-0.0002	0.0000	0.0011	ASX200	8,484	
EUR/GBP	0.8324	0.0011	0.0039	0.0082	0.0168	Dow Jones	44,497	
USD/CNY	7.3072	-0.0146	-0.0488	-0.1045	-0.2278	S&P 500	6,070	
						FTSE100	8,777	
INTEREST		New Zealand		Australia		DAX 30	22,038	
RATES		Mid		Mid		Nikkei	38,801	
30 day bank bills		4.03%		4.25%		COMMODITIES		
90 day bank bills		3.86%		4.24%			USD	
1 year swap		3.48%		3.93%		Brent Crude	76.98	
2 year swap		3.44%		3.83%		Gold	2,905.63	
3 year swap		3.50%		3.83%		Silver	31.89	
5 year swap		3.67%		4.12%		Iron Ore	106.97	
10 year swap		4.08%		4.43%		CRB Index	377.00	
3 year Govt bond		3.78%		3.86%			NZD	
5 year Govt bond		4.08%		4.03%		NZ Carbon	63.20	
10 year Govt bond		4.63%		4.51%				

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