

# Market Alert

Thursday 13 February 2025

CURRENCIES	Spot	6mths
NZD/USD	0.5643	0.0024
NZD/AUD	0.8980	0.0024
NZD/JPY	87.115	-1.38
NZD/EUR	0.5434	-0.0032
NZD/GBP	0.4535	0.0018
NZD/CNH	4.1265	-0.0234
AUD/USD	0.6283	0.0009
AUD/EUR	0.6049	-0.0053
EUR/USD	1.0385	0.0104
USD/CNH	7.3122	-0.0712
GBP/USD	1.2440	0.0001
EUR/GBP	0.8346	0.0081

  

INT RATES	NZ	Australia
OCR/Cash	4.25%	4.35%
90 day bills	3.84%	4.25%
2 year swap	3.43%	3.89%
10 year Govt	4.68%	4.56%

## January effect!

US CPI data for January was released overnight and as alluded to yesterday, printed stronger than expected. Looking at the figures, against expectations of a 0.3% increase, headline inflation accelerated to 0.5% in the January month which pulled the annual figure higher - from 2.9% to 3.0%. The story was similar for core inflation as it overshot expectations, printing at 0.4% in the January month to bring the annual figure to 3.3%. The uptick in prices last month was wide-ranging, affecting car insurance, airfares, medicine and even eggs!

This was the fourth consecutive January CPI print that has overshot expectations and while this implies some level of

seasonality, markets pushed out their rate cut expectations with the first 2025 cut by the Fed now forecast by December this year. Treasury yields pushed higher with the 2-year 8bps higher at 4.36%, while the 10-year is 9bps higher at 4.63%. This is likely to push local swap rates higher on open today.

As usual we got a few opinions from Fed members with Fed Chair, Jerome Powell, taking a glass half full approach stating that *"Today's inflation print shows we're close but not there yet on inflation"*, while his colleague, Austan Goolsbee saw it as more glass half empty, stating that the recent CPI print was *"sobering"* and that if they had multiple months of CPI like data like today then the Fed's job is clearly not done.

## Tariffs and peace

Trump was on a mission of peace overnight, stating that he would visit Putin in Russia and will start negotiations on ending the war in Ukraine, while Trump also had a call with the Ukrainian President. This helped improve the risk sentiment in markets.

After markets initially reacted to the US CPI release with a stronger USD which pushed the NZD/USD down to 0.5601, it was reported that the EU trade chief had talked to members of US President Donald Trump's team about finding a tariff solution, stating that *"Cooperation is our preferred option. So, we remain committed to constructive dialogue*

*and finding negotiated solutions, while protecting the EU interests – the same way the U.S. is protecting theirs."* This headline led a softening in the USD which allowed the NZD/USD to recover back to where it was before the US CPI release - around the 0.5640 area.

## Later today

Locally, we have two noteworthy data releases today. Firstly, this morning we have the January update for electronic card retail sales followed this afternoon by the RBNZ's inflation expectations survey. The RBNZ views the inflation expectations survey as a key indicator and the update will hopefully give the RBNZ further confidence that inflation is back in the bag. Any result is unlikely to change the outlook for a 50bp OCR cut next week, which is fully priced by markets.



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# Daily Rates

Thursday 13 February 2025

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	67.80					CAD	0.8059	0.8976
NZD/USD	0.5643	0.0002	0.0010	0.0024	0.0054	CHF	0.5152	0.5739
NZD/AUD	0.8980	0.0002	0.0010	0.0024	0.0051	CNY	4.1208	4.5897
NZD/JPY	87.115	-0.25	-0.73	-1.38	-2.61	DKK	4.0521	4.5125
NZD/EUR	0.5434	-0.0005	-0.0016	-0.0032	-0.0067	FJD	1.2852	1.4312
NZD/GBP	0.4535	0.0002	0.0008	0.0018	0.0035	HKD	4.3953	4.8946
						KRW	819.78	912.92
AU TWI	60.40					MYR	2.5220	2.8085
AUD/USD	0.6283	0.0001	0.0003	0.0009	0.0018	NOK	6.3540	7.0759
AUD/NZD	1.1134	-0.0003	-0.0014	-0.0033	-0.0083	SEK	6.1373	6.8346
AUD/JPY	97.00	-0.30	-0.93	-1.83	-3.49	SGD	0.7631	0.8498
AUD/EUR	0.6049	-0.0007	-0.0024	-0.0053	-0.0113	TWD	18.53	20.63
AUD/GBP	0.5048	0.0001	0.0003	0.0006	0.0007	ZAR	10.44	11.62
USD Index	107.95					<b>EQUITIES</b>		
EUR/USD	1.0385	0.0013	0.0047	0.0104	0.0228		<b>Index</b>	
USD/JPY	154.37	-0.49	-1.56	-3.10	-6.03	NZX50	12,914	
GBP/USD	1.2440	-0.0001	-0.0002	0.0001	0.0019	ASX200	8,535	
EUR/GBP	0.8346	0.0011	0.0039	0.0081	0.0167	Dow Jones	44,359	
USD/CNY	7.3088	-0.0156	-0.0510	-0.1041	-0.2324	S&P 500	6,052	
						FTSE100	8,807	
<b>INTEREST</b>		<b>New Zealand</b>		<b>Australia</b>		DAX 30	22,148	
<b>RATES</b>		Mid		Mid		Nikkei	38,964	
30 day bank bills		4.01%		4.25%		<b>COMMODITIES</b>		
90 day bank bills		3.84%		4.25%			<b>USD</b>	
1 year swap		3.53%		3.97%		Brent Crude	75.19	
2 year swap		3.48%		3.90%		Gold	2,898.15	
3 year swap		3.55%		3.91%		Silver	32.16	
5 year swap		3.73%		4.21%		Iron Ore	106.32	
10 year swap		4.16%		4.53%		CRB Index	378.76	
3 year Govt bond		3.82%		3.90%			<b>NZD</b>	
5 year Govt bond		4.12%		4.07%		NZ Carbon	63.60	
10 year Govt bond		4.68%		4.56%				

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