

Market Alert

Wednesday 19 February 2025

CURRENCIES	Spot	6mths
NZD/USD	0.5699	0.0024
NZD/AUD	0.8980	0.0024
NZD/JPY	86.600	-1.36
NZD/EUR	0.5458	-0.0032
NZD/GBP	0.4524	0.0019
NZD/CNH	4.1469	-0.0256
AUD/USD	0.6346	0.0009
AUD/EUR	0.6076	-0.0053
EUR/USD	1.0442	0.0105
USD/CNH	7.2762	-0.0756
GBP/USD	1.2595	0.0000
EUR/GBP	0.8287	0.0082

INT RATES	NZ	Australia
OCR/Cash	4.25%	4.10%
90 day bills	3.79%	4.22%
2 year swap	3.51%	3.89%
10 year Govt	4.69%	4.60%

Joining the Crowd

The RBA, which remained an outlier as it was the only major central bank yet to start its easing cycle, changed that yesterday afternoon, as the RBA officially began its easing cycle, reducing its target rate by 25bps to 4.10%. However, the overall rhetoric was more hawkish than markets were expecting. This rhetoric was made clear by statements in the RBA release, including, “forecasts published today suggest that, if monetary policy is eased too much too soon, disinflation could stall, and inflation would settle above the midpoint of the target range” and “While today’s policy decision recognises the welcome progress on inflation, the Board remains cautious on prospects for further policy easing.” RBA Governor, Michele Bullock, added to the hawkish rhetoric,

stating the rate cut was reversing the “cautionary” hike in November 2023 that initially brought the cash rate to 4.35%, and that “Today’s decision does not imply that further rate cuts along the lines suggested by the market are coming.”

As a result of the hawkish rhetoric, markets unwound some of their rate cutting expectations. Before the meeting markets had priced in 100bps of cuts this year, current pricing is now for only one further 25bps cut. This initially led to AUD strength, with the AUD/USD climbing marginally, while the NZD/AUD pushed back below the 0.9000 level. Australian swap rates were 5-7bps higher across the curve.

As a large proportion of Australians’ mortgages are floating rate and major banks have agreed to pass through the full 25bps cut, this rate cut should transmit through the economy faster than usual and helping ease some of the current pain due to the cost of living crisis.

U.S. Strength

After Monday’s Presidents Day, US markets were back in action. The Empire State Manufacturing Index which rates the relative level of general business conditions in New York, far surpassed forecasts, with a reading of 5.7 against expectations of -1.9, and far better than the previous figure of -12.6. The report stated that although firms expect business conditions to improve over the next 6 months, optimism about the outlook has dropped significantly.

The 10-year US Treasury yield is currently up 6bps to 4.54%, while the 2-year yield is up 3bps at 4.29%. The USD index has risen through the 107.00 level, with the NZD/USD currently sitting just below the 0.5700 level. The RBNZ decision later today will no doubt have a significant impact on the FX rate.

Local Data

It has been almost 3 months since we last had an update from the RBNZ. The last meeting on 27 November was before we were updated on the horror story of the June and September quarters’ GDP figures. While a 50bps cut to take the OCR to 3.75% at today’s meeting is almost certain, markets will be more interested in the revisions to economic projections and the Governor’s comments.

Last night’s GDT auction was a little soft, with the GDT index falling by 0.6%. Key indicators WMP and SMP fell by 0.2% and 2.5%, respectively, with the biggest losers being Lactose and Cheddar, whose prices both fell by 3.4%.



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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	68.10					CAD	0.8082	0.9003
NZD/USD	0.5699	0.0003	0.0010	0.0024	0.0052	CHF	0.5147	0.5735
NZD/AUD	0.8980	0.0002	0.0010	0.0024	0.0054	CNY	4.1435	4.6148
NZD/JPY	86.600	-0.24	-0.71	-1.36	-2.52	DKK	4.0683	4.5317
NZD/EUR	0.5458	-0.0005	-0.0016	-0.0032	-0.0065	FJD	1.2907	1.4377
NZD/GBP	0.4524	0.0002	0.0009	0.0019	0.0037	HKD	4.4288	4.9333
						KRW	820.70	914.18
AU TWI	60.70					MYR	2.5312	2.8195
AUD/USD	0.6346	0.0001	0.0004	0.0009	0.0018	NOK	6.3588	7.0832
AUD/NZD	1.1133	-0.0003	-0.0014	-0.0034	-0.0078	SEK	6.1111	6.8039
AUD/JPY	96.42	-0.30	-0.91	-1.78	-3.41	SGD	0.7649	0.8520
AUD/EUR	0.6076	-0.0007	-0.0025	-0.0053	-0.0111	TWD	18.65	20.77
AUD/GBP	0.5036	0.0001	0.0004	0.0007	0.0009	ZAR	10.49	11.69
USD Index	107.07					EQUITIES		
EUR/USD	1.0442	0.0014	0.0049	0.0105	0.0222		Index	
USD/JPY	151.95	-0.50	-1.53	-3.01	-5.77	NZX50	13,051	
GBP/USD	1.2595	-0.0001	-0.0003	0.0000	0.0008	ASX200	8,481	
EUR/GBP	0.8287	0.0012	0.0040	0.0082	0.0167	Dow Jones	44,365	
USD/CNY	7.2786	-0.0153	-0.0470	-0.1011	-0.2205	S&P 500	6,113	
						FTSE100	8,767	
INTEREST		New Zealand		Australia		DAX 30	22,845	
RATES		Mid		Mid		Nikkei	39,270	
30 day bank bills		3.91%		4.21%		COMMODITIES		
90 day bank bills		3.79%		4.22%			USD	
1 year swap		3.49%		3.96%		Brent Crude	75.82	
2 year swap		3.53%		3.90%		Gold	2,932.91	
3 year swap		3.61%		3.91%		Silver	32.82	
5 year swap		3.80%		4.20%		Iron Ore	106.83	
10 year swap		4.21%		4.52%		CRB Index	377.26	
3 year Govt bond		3.83%		3.95%			NZD	
5 year Govt bond		4.14%		4.12%		NZ Carbon	62.90	
10 year Govt bond		4.69%		4.60%				

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