

# Market Alert

Tuesday 04 March 2025

CURRENCIES	Spot	6mths
NZD/USD	0.5629	0.0023
NZD/AUD	0.9024	0.0025
NZD/JPY	84.545	-1.33
NZD/EUR	0.5367	-0.0031
NZD/GBP	0.4430	0.0020
NZD/CNH	4.1071	-0.0281
AUD/USD	0.6237	0.0008
AUD/EUR	0.5947	-0.0053
EUR/USD	1.0487	0.0105
USD/CNH	7.2971	-0.0797
GBP/USD	1.2705	-0.0006
EUR/GBP	0.8252	0.0084

  

INT RATES	NZ	Australia
OCR/Cash	3.75%	4.10%
90 day bills	3.73%	4.17%
2 year swap	3.37%	3.73%
10 year Govt	4.57%	4.43%

## Calm before the storm?

Financial markets started the week on cautious footing, awaiting news on the Mexican and Canadian tariffs, which are set to start tonight if no further reprieve is given. Trump also said overnight that tariffs on agricultural imports would go into effect on 2 April, adding to the confusing mix of tariff targets. The CAD is near a 5-year low against the USD and would surely get punished more if the 25.0% tariffs take effect. They would also likely trigger aggressive easing from the Bank of Canada, which has already eased its key interest rate from a 5.00% peak to 3.00% over the past nine months. With 90.0% of Canadian oil going to US refiners, this sector is one of many that would face huge disruption.

Oil benchmarks were down overnight, following headlines that OPEC+ will at last lift output – by 138,000 barrels a day from April. WTI dropped about 2.0% overnight to below USD68.00, a three-month low and more than 15.0% below the mid-January peak of USD80.00. How energy prices evolve could have huge implications for central banks and the inflation outlook, with Trump noting on several occasions his intention to get prices down. The apparent thawing of US-Russia relations could also see lower oil prices, if sanctions were removed and Russian oil was able to make its way to market (legitimately) again.

## A shift in the winds?

As discussed yesterday, the Atlanta Fed GDPNow forecast had recently estimated a fall in annualised GDP growth of 1.5% over the current quarter. There has been a new release which now estimates that US GDP will fall at an annualised 2.8% in the March quarter, meaning that the figure has now fallen over 5.0% in one week. While this may not eventuate, it is a good signal on the strength or weakness of US data releases.

Adding to the softening US tone, ISM manufacturing PMI fell to 50.3, below expectations of 50.6 but remains in expansionary territory. However, looking into the detail, the story becomes more sobering. Both Employment and New Orders sub-indexes fell into contractionary territory at 47.6 and 48.6,

respectively, while the Prices Paid sub-index rose from 54.9 to 62.4, its highest level since June 2022 (when inflation was rampant). As you would expect, uncertainty around tariffs leads to many surveyors voicing their concerns about the implications of such.

Market reaction to the weaker US data was to send both the USD Index and Treasury yields lower. The USD Index fell by more than one bigger figure to 106.58, which allowed the NZD/USD and AUD/USD to post some gains. However these gains were subdued due to the general 'risk-off' environment. Treasury yields softened with investors pursuing safe haven assets. The 10-year Treasury yield is 3bp lower at 4.17%. Furthermore, gold prices are up 1.0% overnight at USD2889.60.

## ECB to cut this week

Eurozone CPI was out overnight and while it printed higher than market expectations, it showed a further moderation in annual inflation. The headline figure eased from 2.5% to 2.4%, with the core measure easing from 2.7% to 2.6%. Unsurprisingly, market pricing remained unchanged after this release, with a 25bps cut fully priced in for the ECB's upcoming meeting on Thursday.



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# Daily Rates

Tuesday 04 March 2025

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	67.20					CAD	0.8123	0.8982
NZD/USD	0.5629	0.0003	0.0010	0.0023	0.0043	CHF	0.5047	0.5595
NZD/AUD	0.9024	0.0002	0.0010	0.0025	0.0048	CNY	4.1003	4.5440
NZD/JPY	84.545	-0.28	-0.72	-1.33	-2.45	DKK	4.0014	4.4351
NZD/EUR	0.5367	-0.0006	-0.0017	-0.0031	-0.0064	FJD	1.2959	1.4364
NZD/GBP	0.4430	0.0003	0.0009	0.0020	0.0038	HKD	4.3757	4.8500
						KRW	819.98	908.87
AU TWI	59.50					MYR	2.5119	2.7838
AUD/USD	0.6237	0.0001	0.0004	0.0008	0.0012	NOK	6.2945	6.9758
AUD/NZD	1.1073	-0.0003	-0.0014	-0.0035	-0.0066	SEK	5.9261	6.5685
AUD/JPY	93.28	-0.33	-0.91	-1.74	-3.23	SGD	0.7566	0.8385
AUD/EUR	0.5947	-0.0009	-0.0025	-0.0053	-0.0105	TWD	18.51	20.51
AUD/GBP	0.4908	0.0001	0.0004	0.0007	0.0014	ZAR	10.46	11.59
USD Index	106.60					<b>EQUITIES</b>		
EUR/USD	1.0487	0.0017	0.0051	0.0105	0.0205		<b>Index</b>	
USD/JPY	150.18	-0.57	-1.55	-2.97	-5.45	NZX50	12,550	
GBP/USD	1.2705	-0.0001	-0.0003	-0.0006	-0.0017	ASX200	8,246	
EUR/GBP	0.8252	0.0014	0.0041	0.0084	0.0171	Dow Jones	43,523	
USD/CNY	7.2843	-0.0166	-0.0465	-0.0986	-0.2060	S&P 500	5,899	
						FTSE100	8,871	
<b>INTEREST</b>		<b>New Zealand</b>		<b>Australia</b>		DAX 30	23,147	
<b>RATES</b>		Mid		Mid		Nikkei	37,785	
30 day bank bills		3.87%		4.14%		<b>COMMODITIES</b>		
90 day bank bills		3.73%		4.17%			<b>USD</b>	
1 year swap		3.40%		3.85%		Brent Crude	71.51	
2 year swap		3.42%		3.74%		Gold	2,889.76	
3 year swap		3.50%		3.73%		Silver	31.77	
5 year swap		3.67%		3.99%		Iron Ore	102.60	
10 year swap		4.07%		4.28%		CRB Index	365.48	
3 year Govt bond		3.75%		3.81%			<b>NZD</b>	
5 year Govt bond		4.04%		3.96%		NZ Carbon	63.10	
10 year Govt bond		4.57%		4.43%				

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