

Market Alert

Friday 11 April 2025

CURRENCIES	Spot	6mths
NZD/USD	0.5736	0.0030
NZD/AUD	0.9228	0.0027
NZD/JPY	83.220	-1.21
NZD/EUR	0.5138	-0.0029
NZD/GBP	0.4430	0.0021
NZD/CNH	4.1900	-0.0316
AUD/USD	0.6215	0.0014
AUD/EUR	0.5566	-0.0047
EUR/USD	1.1164	0.0118
USD/CNH	7.3116	-0.0916
GBP/USD	1.2945	0.0000
EUR/GBP	0.8621	0.0089

INT RATES	NZ	Australia
OCR/Cash	3.50%	4.10%
90 day bills	3.48%	4.12%
2 year swap	3.09%	3.17%
10 year Govt	4.70%	4.43%

It is getting very difficult to write

...one of these reports without mentioning a certain Donald Trump ... and today was no exception! This time, Mr. Trump announced an increase on Chinese tariffs to 145.0%! Once again, the threat of trade and political uncertainty sent US equity markets into a tailspin, with the 3 exchanges off between -2.5% and -4.0%. The only advice I can give you if you're looking at your equity portfolio is that if it's before midday, have a strong coffee and take a 'chill pill' before you look at it. If it's after 12:00, have a stiff negroni before you look at it! Concerns remain that a trade war could tip the US into a recession, despite European and Asian markets closing in positive territory, although the US close will weigh on them when they open this morning.

Interest rate curves are continuing to steepen, predominately driven by the treasury curve. The 2-year fell -9bps to yield 3.86%, while the 10-year yield firmed 8bps to 4.41%. The USD-index has also weakened, falling from the 103.01 level to 101.25, although it was as low as 100.70 at one point. The last time the USD-index was this low was in September when it fell to 100.16, which saw the NZD/USD peak at 0.6379, as opposed to last night's high at 0.5766. If that doesn't make the average exporter happy, I don't know what will! But while the NZD rallied 1.6% against the USD, it wasn't the best performer as the EUR and JPY both rallied 2.0%, while the CHF rallied an incredible 3.65% against the USD!

The escalation in trade tensions between the US and China reignited demand concerns for oil, which saw prices fall a further -3.5% with crude at USD60.00. Despite rumours of Chinese buying, copper prices fell a further -1.0% while gold prices continued their relentless grind higher, firming a further 2.9%.

If anyone is looking at the data...

- US annual CPI inflation fell for a 2nd consecutive month, falling from 2.8% to 2.4% in March, which was below forecasts at 2.6%, after monthly inflation fell -0.1%. Against this, core inflation rose 0.1% on the month to reach 2.8% on the year, which was its lowest level since March 2021.
- US initial jobless claims rose by 4k to

223k, while continuing claims fell by -43k from a lower revised 1,893k to reach 1,850k.

- Finally, US average hour earnings rose from a revised 1.1% to 1.4% annually, while the weekly change flatlined at 0.8%.
- Chinese inflation fell -0.1% in the year to March, which was its second month in deflationary territory and below forecast for a +0.1% print!

And from those in authority ...

FOMC member Austan Goolsbee confirmed, *"The bar for a Fed policy change is now pretty high. The Fed should keep all options on the table. The Fed timetable is not the market timetable. The current tariffs will drive up inflation in the near term and hurt growth, but rate cuts are still possible if the economy gets back on track."*

Colleague Jeffrey Schmid said he'd prioritize reining in inflation against full employment, stating, *"I am not willing to take any chances when it comes to maintaining the Fed's credibility on inflation"* while Dallas Fed chief Lorie Logan added, *"To sustainably achieve both of our dual-mandate goals, it will be important to keep any tariff-related price increases from fostering more persistent inflation."*

Chinese leaders are set to meet to discuss additional stimulus after the latest tariff increase, with one Chinese state newspaper suggesting monetary policy could be cut further to counter the tariffs.



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Daily Rates

Friday 11 April 2025

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	67.30					CAD	0.8026	0.8982
NZD/USD	0.5736	0.0004	0.0015	0.0030	0.0050	CHF	0.4745	0.5143
NZD/AUD	0.9228	0.0005	0.0015	0.0027	0.0028	CNY	4.1933	4.5443
NZD/JPY	83.220	-0.23	-0.65	-1.21	-2.31	DKK	3.8353	4.1556
NZD/EUR	0.5138	-0.0005	-0.0015	-0.0029	-0.0060	FJD	1.2972	1.4056
NZD/GBP	0.4430	0.0003	0.0010	0.0021	0.0036	HKD	4.4497	4.8214
						KRW	832.21	901.72
AU TWI	58.90					MYR	2.5613	2.7752
AUD/USD	0.6215	0.0001	0.0006	0.0014	0.0032	NOK	6.1936	6.7109
AUD/NZD	1.0836	-0.0007	-0.0020	-0.0035	-0.0046	SEK	5.6762	6.1504
AUD/JPY	89.98	-0.29	-0.84	-1.55	-2.86	SGD	0.7634	0.8271
AUD/EUR	0.5566	-0.0009	-0.0025	-0.0047	-0.0092	TWD	18.82	20.39
AUD/GBP	0.4799	0.0001	0.0004	0.0010	0.0019	ZAR	11.16	12.09
USD Index	101.12					EQUITIES		
EUR/USD	1.1164	0.0019	0.0059	0.0118	0.0225		Index	
USD/JPY	145.09	-0.50	-1.48	-2.83	-5.24	NZX50	12,201	
GBP/USD	1.2945	-0.0001	0.0000	0.0000	-0.0004	ASX200	7,710	
EUR/GBP	0.8621	0.0015	0.0044	0.0089	0.0168	Dow Jones	39,444	
USD/CNY	7.314	-0.0173	-0.0516	-0.1040	-0.2148	S&P 500	5,263	
						FTSE100	7,913	
INTEREST		New Zealand		Australia		DAX 30	20,563	
RATES		Mid		Mid		Nikkei	34,609	
30 day bank bills		3.62%		4.14%		COMMODITIES		
90 day bank bills		3.48%		4.12%			USD	
1 year swap		3.11%		3.38%		Brent Crude	63.56	
2 year swap		3.14%		3.22%		Gold	3,173.84	
3 year swap		3.26%		3.27%		Silver	31.13	
5 year swap		3.53%		3.70%		Iron Ore	97.40	
10 year swap		4.06%		4.24%		CRB Index	346.93	
3 year Govt bond		3.55%		3.38%			NZD	
5 year Govt bond		3.95%		3.67%		NZ Carbon	55.25	
10 year Govt bond		4.70%		4.43%				

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