

Market Alert

Thursday 08 May 2025

CURRENCIES	Spot	6mths
NZD/USD	0.5939	0.0036
NZD/AUD	0.9243	0.0030
NZD/JPY	85.440	-1.23
NZD/EUR	0.5256	-0.0031
NZD/GBP	0.4469	0.0022
NZD/CNH	4.3248	-0.0263
AUD/USD	0.6423	0.0018
AUD/EUR	0.5684	-0.0053
EUR/USD	1.1299	0.0135
USD/CNH	7.2279	-0.1078
GBP/USD	1.3288	0.0014
EUR/GBP	0.8501	0.0091
INT RATES	NZ	Australia
OCR/Cash	3.50%	4.10%
90 day bills	3.39%	3.90%
2 year swap	3.07%	3.22%
10 year Govt	4.58%	4.37%

The FOMC confirms what we already knew...

... the risks to both sides of the Fed's dual mandate - price stability and full employment - have risen!

The Federal Reserve kept the funds rate at 4.25%-4.50% range for a third consecutive meeting as officials adopted a wait-and-see approach. Policymakers noted that uncertainty about the economic outlook has increased, and that the risks of higher unemployment and higher inflation have risen.

The statement highlighted that while *"The unemployment rate has stabilized at a low level in recent months, and labour market conditions remain solid, inflation remains somewhat elevated. The Committee is attentive to the risks to both sides of its dual mandate and judges that the risks of higher*

unemployment and higher inflation have risen."

In the Q&A session, Chair Jerome Powell stated, *"We think we can be patient, we are going to be watching the data. The underlying inflation picture is good. Until we know more about how this is going to settle out, and the economic implications for employment, inflation, I couldn't confidently say I know what the appropriate path will be. My gut tells me that uncertainty for the path of the economy is extremely elevated. There's just so much that we don't know, I think, and we're in a good position to wait and see, is the thing. We don't have to be in a hurry. The economy has been resilient. It's doing fairly well. Our policy is well positioned. The costs of waiting to see further are fairly low. I can't tell you how long it will take, but for now, it does seem like it's a fairly clear decision for us to wait and see and watch."*

The fact that the Fed is prepared to undertake a wait-and-see approach, and that any weak survey data is unlikely to force them to cut pre-emptively saw the USD-index rally, with the NZD and AUD impacted the most to be -1.0% lower. The JPY also fell -1.0%, while the EUR and GBP fell -0.5%. Bond markets were a lot quieter with the 2 and 10-year Treasury yields falling -1bps and -2bps to 3.79% and 4.28%, respectively, with pricing for a June FOMC rate cut falling to just 23.0%.

Equity markets posted modest gains, rallying in the region of 0.25%-0.75%, after Powell noted that the economy remains robust, limiting concerns of a recession amid the tariff uncertainty, although commodity markets were

broadly lower, with oil prices falling -1.75%, while gold, silver and copper all came under sustained selling pressure.

But before the FOMC announcement ...

... we had the PBoC announcement, which saw the Chinese central bank cut its reserve requirement ratio ("RRR") by 50bps, which will essentially inject a further CNY1trn of liquidity into the domestic economy as Beijing seeks to boost domestic growth. The PBoC also lowered the rate on its 7-day reverse repurchase by 10bps to 1.40%, the central bank's first policy rate cut since September 2024. This saw the Chinese 10-year government bond yield fall to a 3-month low at 1.64%.

We had the usual glut of economic releases ...

- Eurozone retail trade declined -0.1% in March, following on from February's downwardly revised 0.2%.
- German factory orders expanded 3.6%, well above forecasts at 1.3%.
- The Australian industry index rose by 5.1 points to a seasonally adjusted -15.0 in April amid ongoing challenges.
- New Zealand's unemployment rate remained steady at 5.1% in Q1 25, unchanged from Q4 24 and below expectations for an increase to 5.3%. The number of unemployed flatlined at 156k, the seasonally adjusted participation rate dipped from 70.9% to 70.8%, while the underutilisation rate edged up from 12.1% to 12.3%.



BANCORP

BANCORP TREASURY SERVICES LIMITED

Barrington
TREASURY SERVICES

Barrington
ASSET CONSULTING



BANCORP

BANCORP CORPORATE FINANCE LIMITED

Daily Rates

Thursday 08 May 2025

FX	Spot	FECs (mid)				Spot Mid	
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...
NZ TWI	69.70					CAD	0.8213 0.8982
NZD/USD	0.5939	0.0006	0.0018	0.0036	0.0060	CHF	0.4893 0.5294
NZD/AUD	0.9243	0.0005	0.0016	0.0030	0.0039	CNY	4.3171 4.6674
NZD/JPY	85.440	-0.22	-0.65	-1.23	-2.28	DKK	3.9204 4.2406
NZD/EUR	0.5256	-0.0005	-0.0016	-0.0031	-0.0065	FJD	1.3278 1.4363
NZD/GBP	0.4469	0.0003	0.0011	0.0022	0.0037	HKD	4.6088 4.9852
						KRW	827.42 895.01
AU TWI	60.10					MYR	2.5147 2.7201
AUD/USD	0.6423	0.0003	0.0008	0.0018	0.0032	NOK	6.1386 6.6400
AUD/NZD	1.0812	-0.0007	-0.0020	-0.0038	-0.0064	SEK	5.7330 6.2012
AUD/JPY	92.70	-0.30	-0.88	-1.63	-2.92	SGD	0.7690 0.8318
AUD/EUR	0.5684	-0.0009	-0.0027	-0.0053	-0.0102	TWD	18.04 19.52
AUD/GBP	0.4833	0.0001	0.0004	0.0008	0.0017	ZAR	10.85 11.74
USD Index	99.86					EQUITIES	
EUR/USD	1.1299	0.0021	0.0068	0.0135	0.0254		Index
USD/JPY	143.87	-0.50	-1.53	-2.87	-5.23	NZX50	12,497
GBP/USD	1.3288	0.0002	0.0007	0.0014	0.0018	ASX200	8,178
EUR/GBP	0.8501	0.0015	0.0047	0.0091	0.0176	Dow Jones	41,114
USD/CNY	7.225	-0.0177	-0.0525	-0.1038	-0.2075	S&P 500	5,618
						FTSE100	8,559
INTEREST		New Zealand		Australia		DAX 30	23,116
RATES		Mid		Mid		Nikkei	36,780
30 day bank bills		3.53%		3.95%		COMMODITIES	
90 day bank bills		3.39%		3.90%			USD
1 year swap		3.08%		3.39%		Brent Crude	61.13
2 year swap		3.09%		3.23%		Gold	3,370.86
3 year swap		3.21%		3.25%		Silver	32.40
5 year swap		3.48%		3.64%		Iron Ore	98.63
10 year swap		4.01%		4.10%		CRB Index	353.68
3 year Govt bond		3.48%		3.39%			NZD
5 year Govt bond		3.88%		3.66%		NZ Carbon	53.00
10 year Govt bond		4.58%		4.37%			

This document has been prepared by Bancorp Treasury Services Limited ("BTSL"). Whilst all reasonable care has been taken to ensure the facts stated are accurate and the opinions given are fair and reasonable, neither BTSL nor any of its directors, officers or employees shall in any way be responsible for the contents. No liability is assumed by BTSL, its directors, officers or employees for action taken or not taken on the basis of this document.



BANCORP
BANCORP TREASURY SERVICES LIMITED

Barrington
TREASURY SERVICES

Barrington
ASSET CONSULTING



BANCORP
BANCORP CORPORATE FINANCE LIMITED