

# Market Alert

Thursday 15 May 2025

CURRENCIES	Spot	6mths
NZD/USD	0.5896	0.0038
NZD/AUD	0.9172	0.0032
NZD/JPY	86.570	-1.21
NZD/EUR	0.5280	-0.0030
NZD/GBP	0.4447	0.0025
NZD/CNH	4.3248	-0.0361
AUD/USD	0.6426	0.0018
AUD/EUR	0.5754	-0.0053
EUR/USD	1.1167	0.0134
USD/CNH	7.2127	-0.1073
GBP/USD	1.3256	0.0011
EUR/GBP	0.8420	0.0093

  

INT RATES	NZ	Australia
OCR/Cash	3.50%	4.10%
90 day bills	3.35%	3.85%
2 year swap	3.15%	3.49%
10 year Govt	4.71%	4.57%

## When everything is second tier ... markets tend to snooze!

And that was the issue last night ... with little data of note, markets took some time out for a 'breather'.

Equity markets struggled for traction as investors weighed trade policy shifts and the recent tech surge with most exchanges broadly trading in a -0.5% to +0.5% range. Commodity prices were lower with oil falling 1.3%, although iron ore prices rose to a 6-week high. The USD-index, and currency markets in general, were also quiet, although the NZD and AUD came under some sustained selling pressure as buyers evaporated, while the JPY found some buyers after the 10-year JGB (Japanese Government Bond) yield firmed to 1.45%, near its six-week high, as easing global trade tensions curbed demand for safe-haven assets. Most of the activity actually took place in bond markets, which saw the 2-year US

treasury yields firm 5bps to 4.07%, while the 10-years rallied 7bps to yield 4.55%.

## As previously mentioned,

most of the overnight data releases were 2nd tier ahead of tonight's US retail sales, but breaking it all down:

- German inflation steadied, printing at 0.4% on the month and 2.1% on the year, which was in line with expectations and flat with the prior month.
- US mortgage application volumes rose by 1.1% from last week, building on the prior week's 11% surge.
- Chinese banks extended CNY280bn in new yuan loans in April, firmly below the CNY730bn extended last year and expectations at CNY700bn.
- Japanese PPIs firmed 0.2% on the month to reach 4.0% on the year. Both numbers were in line with expectations.
- Australian Q1 wage inflation firmed from 3.2% to 3.4%. Expectations had been at 3.2%.
- New Zealand retail card spending, which covers around 68% of core retail sales, were flat on the month at 0.0%, which was better than March's 0.8% contraction. Total card spending also improved, from -1.6% to -0.2%, but remains in negative territory.
- The NZ half-yearly Business Wellbeing Index showed that economic and political factors were the two main issues of concern, followed by business growth, workload and cash flow. Business growth is also becoming an increasing issue for businesses amid the usual global tariff concerns.

## The mildly interesting stuff ...

Fed Vice Chair Philip Jefferson stated, "Current Fed policy is a good place to respond to economic developments. We are watching closely for signs in the hard data of weaker activity. The Q1 GDP data overstated deceleration in activity (although) the recent inflation data is consistent with further progress toward our 2.0% goal, but the future path is uncertain due to the tariffs. Whether tariffs create persistent inflation depends on implementation, response of supply chains and other factors"

Economic commentator and ex-Fed member Bill Dudley wrote, "The US-China deal still leaves scope for economic damage that the Fed will struggle to contain. The rollback might not last, tariffs will still be high, and uncertainty remains."

Current Fed member Austin Goolsbee added, "The data is still 'noisy' ... and the Fed needs to wait to understand the tariff impacts."

Goldman Sachs suggest April US core retail sales likely to show a frontloading boost due to tariffs.

Fitch Ratings has finished its review of the Australian banks, with the results showing there is a fair amount of resilience amongst them. Net interest margins (NIMs) are likely to contract further in 2025 and 2026 as interest rates are cut (FYI their recent results in NZ saw an increase in NIMs) with competition also likely to weigh (not in NZ I suspect). Liquidity levels remained strong, which should provide further cushioning against global economic uncertainties.



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# Daily Rates

Thursday 15 May 2025

FX	Spot	FECs (mid)				Spot Mid	
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...
NZ TWI	69.30					CAD	0.8239
NZD/USD	0.5896	0.0006	0.0018	0.0038	0.0068	CHF	0.4968
NZD/AUD	0.9172	0.0006	0.0016	0.0032	0.0052	CNY	4.2478
NZD/JPY	86.570	-0.21	-0.65	-1.21	-2.29	DKK	3.9380
NZD/EUR	0.5280	-0.0004	-0.0016	-0.0030	-0.0061	FJD	1.3215
NZD/GBP	0.4447	0.0004	0.0012	0.0025	0.0045	HKD	4.6010
						KRW	829.44
AU TWI	60.50					MYR	2.5256
AUD/USD	0.6426	0.0003	0.0008	0.0018	0.0032	NOK	6.1276
AUD/NZD	1.0897	-0.0008	-0.0021	-0.0042	-0.0075	SEK	5.7539
AUD/JPY	94.89	-0.29	-0.88	-1.66	-3.11	SGD	0.7672
AUD/EUR	0.5754	-0.0009	-0.0028	-0.0053	-0.0103	TWD	17.88
AUD/GBP	0.4846	0.0001	0.0004	0.0009	0.0017	ZAR	10.76
USD Index	101.11					EQUITIES	
EUR/USD	1.1167	0.0021	0.0067	0.0134	0.0256		Index
USD/JPY	146.83	-0.52	-1.55	-2.98	-5.58	NZX50	12,779
GBP/USD	1.3256	0.0002	0.0005	0.0011	0.0017	ASX200	8,280
EUR/GBP	0.8420	0.0015	0.0047	0.0093	0.0181	Dow Jones	42,051
USD/CNY	7.208	-0.0178	-0.0541	-0.1058	-0.2160	S&P 500	5,895
						FTSE100	8,585
INTEREST		New Zealand		Australia		DAX 30	23,527
RATES		Mid		Mid		Nikkei	38,128
30 day bank bills			3.48%		3.89%	COMMODITIES	
90 day bank bills			3.35%		3.85%		USD
1 year swap			3.16%		3.57%	Brent Crude	65.74
2 year swap			3.20%		3.50%	Gold	3,180.55
3 year swap			3.33%		3.56%	Silver	32.16
5 year swap			3.61%		3.94%	Iron Ore	99.51
10 year swap			4.14%		4.40%	CRB Index	364.54
3 year Govt bond			3.61%		3.63%		
5 year Govt bond			4.01%		3.89%		NZD
10 year Govt bond			4.71%		4.57%	NZ Carbon	54.75

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