

Market Alert

Thursday 5 June 2025

CURRENCIES	Spot	6mths
NZD/USD	0.6029	0.0036
NZD/AUD	0.9286	0.0021
NZD/JPY	86.145	-1.21
NZD/EUR	0.5283	-0.0033
NZD/GBP	0.4451	0.0023
NZD/CNH	4.3155	-0.0363
AUD/USD	0.6492	0.0024
AUD/EUR	0.5688	-0.0050
EUR/USD	1.1412	0.0139
USD/CNH	7.1703	-0.1029
GBP/USD	1.3545	0.0010
EUR/GBP	0.8423	0.0096

INT RATES	NZ	Australia
OCR/Cash	3.25%	3.85%
90 day bills	3.32%	3.76%
2 year swap	3.19%	3.18%
10 year Govt	4.62%	4.34%

Let's be honest ...

... in amongst all the talk of tariffs, slowing growth, and the potential for inflation to spike ... day-to-day flows remain largely range bound.

Equity markets continued their incremental grind higher, firming 0.3%-0.5%, while commodity prices were a touch weaker with oil prices 1.0% lower after Saudi Arabia signalled it may push for larger production increases, raising fears of oversupply.

FX markets were also 'steady-eddie' with the USD-index dipping back below the 99.00 level, which saw, against the USD, the NZD and AUD firm back toward Tuesday's levels, while the JPY and CHF also posted significant gains. Finally, and potentially the one financial product that may actually break its ranges, was the move in US treasuries which saw yields

tumbling after the poor US data and an acknowledgement that the US and China may not reach a trade deal. This saw the 2-year yield fall 8bps to 3.88%, while the 10-years plummeted 10bps to 4.36%.

The biggest headlines today ...

... will be reserved for the Fed's Beige Book update, which saw half of the districts report a slight to moderate decline in activity. All districts reported elevated levels of economic and policy uncertainty. Consumer spending was mixed, employment steady, and hiring cautious due to uncertainty. The threat of tariffs drove moderate price hikes, with costs increasingly passed on to consumers, cautious investment, and a softening in manufacturing.

US services PMIs declined to record their first contractionary print since June last year, falling from 51.6 to 49.9 in May. The result was well below expectations at 52.0. The weakness in hiring intentions was then highlighted by the weakness in private business hiring which saw only 37k jobs added in May, which was the lowest since March 2023. Forecasts were at 115k, while the April number was also revised lower to 60k. This saw Trump tweet (are they still called tweets?) *"The ADP number is out! 'Too Late' Powell must now lower the rate. He is unbelievable! Europe has lowered nine times!"*

The BoC left its key benchmark interest rate unchanged at 2.75% overnight, as was largely expected. It was the central bank's 2nd 'hold' following its cumulative 225bps of cuts across 7 consecutive meetings. As one would expect, the

statement highlighted the downside risks to growth, coupled with higher inflation expectations due to the tariff situation.

Australian Q2 growth missed expectations at 0.4%, printing at a weak 0.2% on the quarter. On an annual basis, GDP was at 1.3%, which was the same as the previous quarter but below expectations at 1.5%. Services PMIs eased from 51.0 to 50.6, which saw a similar move in the composite PMI rate which eased from 51.0 to 50.5.

Japanese services PMIs fell from 52.4 to 51.0, which also meant the composite dropped from 51.2 to 50.2.

US Treasury Secretary Scott Bessent confirmed the US-China trade talks were *"a bit stalled,"* while President Donald Trump added that it was *"extremely hard"* to make a deal with China's Xi. In the meantime, it's been leaked that China is considering placing an order for hundreds of Airbus jets ... potentially as soon as next month.

Congressional Budget Office's analysis have concluded Trump's 'One Big, Beautiful Bill' would add USD2.4trn to federal budget deficits over the next 10 years.

In something out of a spy novel ...

Two Chinese nationals have been caught smuggling fusarium graminearum into the US. By all accounts, the fungus is capable of destroying wheat, barley, maize, and rice crops, and can also poison humans and livestock with its toxic byproducts.



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Daily Rates

Thursday 5 June 2025

FX	Spot	FECs (mid)				Spot Mid	
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...
NZ TWI	69.50					CAD	0.8245 0.8881
NZD/USD	0.6029	0.0006	0.0019	0.0036	0.0057	CHF	0.4934 0.5316
NZD/AUD	0.9286	0.0005	0.0013	0.0021	0.0023	CNY	4.3232 4.6588
NZD/JPY	86.145	-0.21	-0.64	-1.21	-2.33	DKK	3.9385 4.2424
NZD/EUR	0.5283	-0.0006	-0.0017	-0.0033	-0.0069	FJD	1.3384 1.4417
NZD/GBP	0.4451	0.0004	0.0012	0.0023	0.0041	HKD	4.7290 5.0939
						KRW	821.61 885.00
AU TWI	59.80					MYR	2.5579 2.7552
AUD/USD	0.6492	0.0003	0.0011	0.0024	0.0043	NOK	6.0888 6.5585
AUD/NZD	1.0766	-0.0007	-0.0016	-0.0027	-0.0038	SEK	5.7768 6.2225
AUD/JPY	93.11	-0.28	-0.82	-1.55	-2.81	SGD	0.7754 0.8352
AUD/EUR	0.5688	-0.0009	-0.0026	-0.0050	-0.0093	TWD	18.05 19.44
AUD/GBP	0.4792	0.0001	0.0006	0.0012	0.0028	ZAR	10.75 11.58
USD Index	98.85					EQUITIES	
EUR/USD	1.1412	0.0023	0.0071	0.0139	0.0264		Index
USD/JPY	142.88	-0.50	-1.50	-2.85	-5.24	NZX50	12,495
GBP/USD	1.3545	0.0002	0.0006	0.0010	0.0007	ASX200	8,542
EUR/GBP	0.8423	0.0016	0.0048	0.0096	0.0188	Dow Jones	42,431
USD/CNY	7.1844	-0.0170	-0.0514	-0.1017	-0.2100	S&P 500	5,978
						FTSE100	8,801
						DAX 30	24,276
						Nikkei	37,747
INTEREST		New Zealand		Australia		COMMODITIES	
RATES		Mid		Mid			USD
30 day bank bills		3.36%		3.81%		Brent Crude	64.89
90 day bank bills		3.32%		3.76%		Gold	3,373.42
1 year swap		3.19%		3.31%		Silver	34.48
2 year swap		3.24%		3.19%		Iron Ore	95.30
3 year swap		3.36%		3.24%		CRB Index	363.18
5 year swap		3.62%		3.63%			
10 year swap		4.10%		4.11%			
3 year Govt bond		3.62%		3.35%			
5 year Govt bond		3.97%		3.62%			
10 year Govt bond		4.62%		4.34%		NZ Carbon	55.75

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