

Market Alert

Tuesday 17 June 2025

CURRENCIES	Spot	6mths
NZD/USD	0.6059	0.0036
NZD/AUD	0.9290	0.0019
NZD/JPY	87.770	-1.23
NZD/EUR	0.5243	-0.0032
NZD/GBP	0.4464	0.0021
NZD/CNH	4.3430	-0.0362
AUD/USD	0.6521	0.0025
AUD/EUR	0.5643	-0.0047
EUR/USD	1.1555	0.0139
USD/CNH	7.1835	-0.1020
GBP/USD	1.3571	0.0017
EUR/GBP	0.8510	0.0092

INT RATES	NZ	Australia
OCR/Cash	3.25%	3.85%
90 day bills	3.30%	3.76%
2 year swap	3.25%	3.23%
10 year Govt	4.69%	4.33%

Maybe markets are becoming a little complacent ...

... given the ongoing conflicts in the Middle East, Ukraine, and the tariff war ... yet despite the uncertainty, the USD and treasuries continue to be sold! But then again, perhaps the risks that we have continuously been warning about ... the USD-index entering a cyclical downtrend and the pause to the central bank cutting cycles ... are actually playing out as we forecast!

Despite exchanging rocket fire for the 4th consecutive day, Iran signalled a desire to de-escalate the conflict with Israel and resume nuclear talks on the proviso the US does not join Israeli in the attacks. The Iranian 'reach out' came amid reports that 'unprecedented' numbers of US Air Force aerial refuelling tankers were re-locating towards Europe.

This supported risk with equity markets rallying 0.25% to 1.25%, while commodity markets also spent the session in the green ... apart from oil markets which retreated -2.0% which is probably appropriate given that prices had rallied 25% over the last 6 weeks!

Treasury yields also firmed with the 2-years gaining 2bps to 3.98% while the 10-years gapped 5bps higher to the 4.46% level. This saw the dollar index extend losses back towards its 2022 lows with, I suspect, a bit more gas in the tank. This saw the NZD and AUD out-perform, while the EUR actually traded above the 1.1600 level at one stage. But despite the USD-weakness, the JPY suffered the worst ahead of today's BoJ announcement.

Ultimately 'where to from here' is the biggest question, but then again, the trend is your friend!

There was nothing surprising ...

... in the data releases overnight ...

- The New York Empire State manufacturing index fell to -16 in June from May's -9.2. It was also below market expectations at -5.5.
- At least someone's getting a pay rise ... Eurozone wages rose 3.4% in Q1 2025 compared to a year ago, although it was below the prior quarters 4.1% gain.
- The Chinese releases suggest the economy on track to hit first-half growth target after retail sales recorded their strongest jump since December 2023 increasing 6.4% in the year to May, accelerating from April's 5.1% surge.

- Chinese industrial production rose by 5.8% in the year to May, slightly behind April's 6.1% growth, while new home prices across 70 cities fell -3.5% in the year to May, slightly better than April's -4.0% decline.

- New Zealand's services PMIs remain in deep contraction at 44.0 in May, having fallen from April's 48.1.

ECB member Luis de Guindos announced, "The EUR/USD exchange rate at 1.15 is no big obstacle on our inflation target. The appreciation of the euro is not rapid, volatility not extreme. The ECB is very close to the target now."

The BoJ is reportedly weighing a plan to reduce the pace of its JGB tapering programme by half, cutting quarterly purchases to JPY200bn (around USD1.4bn) from April 2026.

Despite last week's trade agreement, reports suggest China is refusing to approve the export of specific rare earth metals used in US weapon systems.

Nor was there anything surprising in the NZIER ...

... survey of local economists that projected, "GDP is forecast to contract by 1.1% in the year to March 2025, and then expected to pick up to 1.9% in 2026. Lower interest rates are expected to support a pick-up in growth with households expected to benefit from reduced mortgage repayments. This is expected to support a continued recovery in discretionary spending over the coming years. Inflation is expected to become anchored around the RBNZs inflation target mid-point of 2.0% over the coming years."



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Daily Rates

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FX	Spot	FECs (mid)				Spot Mid	
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...
NZ TWI	69.50					CAD	0.8224 0.8854
NZD/USD	0.6059	0.0006	0.0019	0.0036	0.0060	CHF	0.4933 0.5312
NZD/AUD	0.9290	0.0005	0.0012	0.0019	0.0025	CNY	4.3617 4.6944
NZD/JPY	87.770	-0.21	-0.65	-1.23	-2.39	DKK	3.9090 4.2085
NZD/EUR	0.5243	-0.0005	-0.0016	-0.0032	-0.0068	FJD	1.3415 1.4443
NZD/GBP	0.4464	0.0004	0.0011	0.0021	0.0035	HKD	4.7546 5.1188
						KRW	822.99 886.04
AU TWI	59.90					MYR	2.5670 2.7636
AUD/USD	0.6521	0.0003	0.0011	0.0025	0.0046	NOK	6.0050 6.4650
AUD/NZD	1.0765	-0.0006	-0.0015	-0.0025	-0.0037	SEK	5.7497 6.1901
AUD/JPY	93.91	-0.28	-0.82	-1.54	-2.85	SGD	0.7755 0.8349
AUD/EUR	0.5643	-0.0009	-0.0025	-0.0047	-0.0090	TWD	17.83 19.20
AUD/GBP	0.4803	0.0001	0.0005	0.0012	0.0023	ZAR	10.79 11.62
USD Index	98.15					EQUITIES	
EUR/USD	1.1555	0.0023	0.0071	0.0139	0.0265		Index
USD/JPY	144.85	-0.49	-1.50	-2.89	-5.37	NZX50	12,690
GBP/USD	1.3571	0.0002	0.0008	0.0017	0.0028	ASX200	8,548
EUR/GBP	0.8510	0.0016	0.0047	0.0092	0.0178	Dow Jones	42,470
USD/CNY	7.179	-0.0165	-0.0508	-0.1012	-0.2107	S&P 500	6,030
						FTSE100	8,875
						DAX 30	23,699
						Nikkei	38,311
INTEREST		New Zealand		Australia		COMMODITIES	
RATES		Mid		Mid			USD
30 day bank bills		3.34%		3.79%		Brent Crude	72.90
90 day bank bills		3.30%		3.76%		Gold	3,384.09
1 year swap		3.22%		3.33%		Silver	36.30
2 year swap		3.30%		3.24%		Iron Ore	95.38
3 year swap		3.42%		3.30%		CRB Index	380.40
5 year swap		3.67%		3.69%			
10 year swap		4.17%		4.15%			
3 year Govt bond		3.68%		3.38%			
5 year Govt bond		4.04%		3.63%			
10 year Govt bond		4.69%		4.33%		NZ Carbon	57.45

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