

Market Alert

Wednesday 16 July 2025

CURRENCIES	Spot	6mths
NZD/USD	0.5947	0.0037
NZD/AUD	0.9126	0.0025
NZD/JPY	88.540	-1.27
NZD/EUR	0.5126	-0.0032
NZD/GBP	0.4442	0.0020
NZD/CNH	4.2728	-0.0311
AUD/USD	0.6515	0.0021
AUD/EUR	0.5615	-0.0051
EUR/USD	1.1601	0.0144
USD/CNH	7.1839	-0.0960
GBP/USD	1.3386	0.0020
EUR/GBP	0.8663	0.0093

INT RATES	NZ	Australia
OCR/Cash	3.25%	3.85%
90 day bills	3.27%	3.77%
2 year swap	3.13%	3.38%
10 year Govt	4.65%	4.48%

Déjà vu

Last night's US CPI was another opportunity for the markets to gauge the effects of Trump's tariffs on inflation. Core CPI printed at 0.2% on the month, and 2.9% on the year, both below market expectations. Due to housings large weighting in its basket (~45%), Core CPI continues to be driven by house prices which have plateaued from their previous slow grind down and such, is part of the reason for the uptick in US inflation over the past 4-months.

Unfortunately, this meant for Fed Chair Jerome Powell that he was subject to further demands from Trump to cut interest rates aggressively given the "Very Low Inflation", while Treasury Secretary Scott Bessent informed markets that the formal process to pick Powell's successor has already started.

As you would expect we had further headlines around tariffs overnight,

trying to keep this short and sweet as it will most likely be out-of-date by tomorrow: Mexico, Brazil and the EU are all preparing to announce counter tariffs if an agreement with the US is not made. Indonesia has made a deal with the US whereby its exports to the US will be tariffed at 19% while US imports will be tariff free. Lastly, Canada's Prime Minister believes that "US tariffs may be here to stay."

The initial market reaction to the US CPI data was benign, but since then, due to the early signs of inflation caused by tariffs, US treasury yields increased with the 10-year yield now 5bps higher at 4.48% which will likely put upwards pressure on longer dated local swaps on the open. The USD index experienced a similar journey and is now 0.6% higher at 98.63. As a result, the NZD/USD has now fallen back below the 0.5950 level, while the AUD/USD remains above 0.6500 which has pushed the NZD/AUD down towards 0.9125.

Mixed data from China

China's GDP grew more than expected over the second quarter of 2025, coming in at 1.1% over the quarter and at 5.2% over the June year, against forecasts of 0.9% and 5.1%, respectively. While both figures were lower than last quarter, this still puts growth over the first half of the year at 5.3%, above China's annual growth target of around 5.0%. The economy was boosted by strong exports, which was helped by lowered US tariffs in May, going down from 145% to 55%, alongside continuing fiscal support aimed at increasing domestic demand, although the strong GDP data now has

many economists expecting China to pause further stimulus to leave some wiggle room as the current tariff deal expires in August.

Chinese Retail sales were lower than expected, coming in at 4.8% against forecasts of 5.3% over the June year. There may have been a slump in retail in June as some provinces suspended government subsidies for certain products, such as smartphones, appliances, and cars. Industrial production rose by 6.8% over the year to June, well above expectations of 5.6% and above last month's figure of 5.8%.

Eurozone industrial production was higher than expected at 1.7% over May and 3.7% over the May year, against forecasts of 1.1% and 2.9%, respectively. Eurozone consumer sentiment rose to 36.1 from last month's reading of 35.3, although lower than forecasts of 37.8.

In Oceania

The Westpac-Melbourne Institute Consumer Sentiment Index rose by 0.6% to 93.1 in June, although this still leaves it below the 100.0 level, indicating negative consumer sentiment. The report indicated that consumers still remain uncertain about the outlook for the economy and jobs, but most consumers still expect interest rates to move lower from here.

Last night's GDT auction brought positive news as the index bucked its trend of losses, increasing by 1.1%. WMP and SMP increased by 2.5% and 1.7% respectively. The star of recent headlines, butter, saw prices stay the same, as such, it will likely be Oliviani in the fridge for a little while longer.



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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	69.00					CAD	0.8156 0.8936
NZD/USD	0.5947	0.0006	0.0019	0.0037	0.0058	CHF	0.4768 0.5224
NZD/AUD	0.9126	0.0005	0.0014	0.0025	0.0038	CNY	4.2644 4.6742
NZD/JPY	88.540	-0.23	-0.64	-1.27	-2.38	DKK	3.8251 4.1912
NZD/EUR	0.5126	-0.0006	-0.0016	-0.0032	-0.0067	FJD	1.3246 1.4513
NZD/GBP	0.4442	0.0003	0.0010	0.0020	0.0031	HKD	4.6676 5.1142
						KRW	824.81 903.73
AU TWI	60.60					MYR	2.5205 2.7617
AUD/USD	0.6515	0.0003	0.0010	0.0021	0.0036	NOK	6.1000 6.6837
AUD/NZD	1.0955	-0.0006	-0.0018	-0.0032	-0.0067	SEK	5.7836 6.3336
AUD/JPY	96.92	-0.30	-0.85	-1.67	-3.02	SGD	0.7641 0.8372
AUD/EUR	0.5615	-0.0010	-0.0026	-0.0051	-0.0097	TWD	17.47 19.15
AUD/GBP	0.4866	0.0001	0.0004	0.0008	0.0013	ZAR	10.66 11.68
USD Index	98.64					EQUITIES	
EUR/USD	1.1601	0.0025	0.0072	0.0144	0.0264		Index
USD/JPY	148.89	-0.53	-1.54	-3.04	-5.42	NZX50	12,690
GBP/USD	1.3386	0.0003	0.0011	0.0020	0.0034	ASX200	8,630
EUR/GBP	0.8663	0.0017	0.0046	0.0093	0.0170	Dow Jones	44,102
USD/CNY	7.1729	-0.0170	-0.0467	-0.0914	-0.1808	S&P 500	6,256
INTEREST		New Zealand		Australia		FTSE100	8,938
RATES		Mid		Mid		DAX 30	24,060
30 day bank bills			3.36%		3.82%	Nikkei	39,678
90 day bank bills			3.27%		3.77%	COMMODITIES	
1 year swap			3.13%		3.45%		USD
2 year swap			3.18%		3.39%	Brent Crude	68.83
3 year swap			3.30%		3.44%	Gold	3,327.84
5 year swap			3.58%		3.84%	Silver	37.76
10 year swap			4.11%		4.32%	Iron Ore	96.76
3 year Govt bond			3.56%		3.51%	CRB Index	372.51
5 year Govt bond			3.95%		3.78%	NZD	
10 year Govt bond			4.65%		4.48%	NZ Carbon	58.49

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