

Market Alert

Thursday 31 July 2025

CURRENCIES	Spot	6mths
NZD/USD	0.5898	0.0037
NZD/AUD	0.9160	0.0023
NZD/JPY	88.100	-1.21
NZD/EUR	0.5161	-0.0029
NZD/GBP	0.4450	0.0021
NZD/CNH	4.2518	-0.0322
AUD/USD	0.6437	0.0023
AUD/EUR	0.5633	-0.0047
EUR/USD	1.1426	0.0137
USD/CNH	7.2094	-0.0996
GBP/USD	1.3252	0.0021
EUR/GBP	0.8619	0.0089
INT RATES	NZ	Australia
OCR/Cash	3.25%	3.85%
90 day bills	3.20%	3.75%
2 year swap	3.11%	3.26%
10 year Govt	4.60%	4.36%

Johnny Cash warned us ...

... about the 'ring of fire,' but with a tsunami warning in place, and being based on the Auckland waterfront, am I eligible for danger pay?

But whether I get it or not may be irrelevant given that the aliens are coming! Yes scientists are watching a newly discovered object in space that a Harvard scientist believes could be an alien craft given its "extremely unusual" movements. Keep an eye on 3I/ATLAS.

But in the real world, Jerome Powell 'gave it to the man' ...

... with 'the man' being Donald Trump, after the Fed Governor left the Fed Funds range unchanged at 4.25%-4.50%. Interestingly, 2 governors dissented in favour of a cut - Michelle Bowman and Christopher Waller - the first dual dissent since 1993. The statement

downgraded its description of the US economy noting that "growth of economic activity moderated in the first half of the year," adding that while, "labour market conditions remain solid," inflation "remains somewhat elevated."

In the Q&A, Powell noted, "The economy is in a solid position. It seems to me, and to almost the whole committee, that the economy is not performing as though restrictive policy is holding it back inappropriately." Powell also noted that while the GDP gain was stronger than expected in Q2 at 3.0%, it is better to look at the average for the first half of the year as a whole to smooth out the trade flows, highlighting that growth slowed to 1.2% from last year's 2.5%. On the tariffs, he added, "We still have a long way to go. Higher tariffs have begun to show through more clearly in prices of some goods, but their overall effects on economic activity and inflation remains to be seen."

As mentioned, US Q2 growth came in at 3.0% annualised, which was above Q1's -0.5% and forecasts at 2.6%. Private-sector payrolls also beat expectations, rising by 104k in July, while June pending home sales fell -0.8% against the expected 0.3% gain.

The BoC left rates on hold, as was expected, although there was greater emphasis on growth risks given the US-Canadian tariff issues, while the Monetary Authority of Singapore also left its policy settings unchanged.

The RBA recently highlighted concerns that Australian inflation might firm in Q2, but the reality was headline inflation fell from Q1's 2.4% to 2.1%, against forecasts

at 2.2%, while the RBA's favoured trimmed mean eased from 2.9% to 2.7%, which was in line with expectations. This should pave the way for the RBA to execute another cut at their 12-August meeting.

Despite NZ business confidence firming from 46.3% to 47.8%, activity slowed from 40.9% to 40.6%. Agriculture continues to outperform, although construction and retail remain in a slump.

Chinese Finance Minister Lan Fo'an suggested China will ramp up fiscal support to bolster domestic consumption and manage its growing economic headwinds. Priority will be given to upgrading modern strategic industries, with the broader goal of aligning public investment more closely with national economic objectives.

The impact ...

... was as you would expect, with the USD-index jumping back above the 99.50 level. In amongst the G10 currencies, the AUD weakened the most, falling -1.2%, while the NZD, CHF and EUR all fell -1.0%, which will keep exporters happy. US yields gapped higher, with the 2-years surging 7bps to 3.95% while the 10-years firmed 5bps to 4.37%, which will maintain the pressure on the local curves. Equity markets firmed 0.25%-1.0% globally, and while commodities were mixed, copper prices plummeted -20.0% to record their largest ever intra-day fall after President Trump announced refined copper would be excluded from the tariff charges that will start on 1-August.



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Daily Rates

Thursday 31 July 2025

FX	Spot	FECs (mid)				Spot Mid	
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...
NZ TWI	69.00					CAD	0.8158 0.8906
NZD/USD	0.5898	0.0006	0.0019	0.0037	0.0066	CHF	0.4796 0.5236
NZD/AUD	0.9160	0.0004	0.0014	0.0023	0.0037	CNY	4.2419 4.6311
NZD/JPY	88.100	-0.23	-0.63	-1.21	-2.30	DKK	3.8506 4.2039
NZD/EUR	0.5161	-0.0006	-0.0015	-0.0029	-0.0059	FJD	1.3220 1.4433
NZD/GBP	0.4450	0.0003	0.0011	0.0021	0.0036	HKD	4.6283 5.0530
						KRW	821.46 896.84
AU TWI	60.40					MYR	2.4970 2.7261
AUD/USD	0.6437	0.0003	0.0011	0.0023	0.0042	NOK	6.0777 6.6353
AUD/NZD	1.0912	-0.0007	-0.0017	-0.0030	-0.0059	SEK	5.7566 6.2848
AUD/JPY	96.15	-0.29	-0.84	-1.58	-2.86	SGD	0.7639 0.8340
AUD/EUR	0.5633	-0.0009	-0.0025	-0.0047	-0.0087	TWD	17.61 19.22
AUD/GBP	0.4857	0.0001	0.0004	0.0010	0.0019	ZAR	10.60 11.57
USD Index	99.85					EQUITIES	
EUR/USD	1.1426	0.0024	0.0071	0.0137	0.0254		Index
USD/JPY	149.38	-0.54	-1.56	-2.97	-5.39	NZX50	12,856
GBP/USD	1.3252	0.0004	0.0011	0.0021	0.0031	ASX200	8,756
EUR/GBP	0.8619	0.0016	0.0046	0.0089	0.0168	Dow Jones	44,461
USD/CNY	7.1934	-0.0179	-0.0494	-0.0931	-0.1783	S&P 500	6,352
						FTSE100	9,137
						DAX 30	24,262
						Nikkei	40,655
INTEREST		New Zealand		Australia		COMMODITIES	
RATES		Mid		Mid			USD
30 day bank bills		3.28%		3.74%		Brent Crude	73.63
90 day bank bills		3.20%		3.75%		Gold	3,274.90
1 year swap		3.09%		3.36%		Silver	37.04
2 year swap		3.15%		3.27%		Iron Ore	98.98
3 year swap		3.27%		3.34%		CRB Index	376.30
5 year swap		3.53%		3.74%			
10 year swap		4.04%		4.20%			
3 year Govt bond		3.52%		3.40%			
5 year Govt bond		3.90%		3.66%			
10 year Govt bond		4.60%		4.36%		NZ Carbon	56.39

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