

Research Markets Today

1 May 2025

Events Round-Up

NZ: ANZ activity outlook (net%), Apr: 47.7 vs. 48.6 prev.
 AU: CPI (y/y%), Q1: 2.4 vs. 2.3 exp.
 AU: CPI trimmed mean (q/q%), Q1: 0.7 vs. 0.6 exp.
 AU: CPI trimmed mean (y/y%), Q1: 2.9 vs. 2.8 exp.
 CH: Manufacturing PMI, Apr: 49.0 vs. 49.7 exp.
 CH: Non-manufacturing PMI, Apr: 50.4 vs. 50.6 exp.
 CH: Caixin PMI manufacturing, Apr: 50.4 vs. 49.7 exp.
 GE: Unemployment rate (%), Apr: 6.3 vs. 6.3 exp.
 GE: GDP (q/q%), Q1: 0.2 vs. 0.2 exp.
 EA: GDP (q/q%), Q1: 0.4 vs. 0.2 exp.
 GE: CPI EU harmonised (y/y%), Apr: 2.2 vs. 2.1 exp.
 US: ADP employment change (k), Apr: 62 vs. 115 exp.
 US: GDP (ann'lisd q/q%), Q1: -0.3 vs. 0.3 exp.
 US: Employment cost index, Q1: 0.9 vs. 0.9 exp.
 CA: GDP (m/m%), Feb: -0.2 vs. 0 exp.
 US: Chicago PMI, Apr: 44.6 vs. 45.9 exp.
 US: Personal income (m/m%), Mar: 0.5 vs. 0.4 exp.
 US: Real personal spending (m/m%), Mar: 0.7 vs. 0.5 exp.
 US: Core PCE deflator (m/m%), Mar: 0.0 vs. 0.1 exp.
 US: Core PCE deflator (y/y%), Mar: 2.6 vs. 2.6 exp.
 US: Pending home sales (m/m%), Mar: 6.1 vs. 1 exp.

Good morning

US equities fell sharply after weak GDP data and lacklustre corporate earnings. At one point the index fell more than 2% before staging a partial rebound. There was a large amount of economic for investors to digest. Global bond yields are generally lower, and the dollar is mixed against G10 currencies, albeit with relatively small absolute moves. Brent crude prices fell towards US\$63 per barrel.

The US economy contracted an annualised 0.3% rate in the March quarter. This is the first GDP fall since 2022 and was weaker than consensus estimates. The contraction is largely the result of a surge in imports before the implementation of tariffs. The core PCE deflator rose at a 3.5% annual rate in Q1, which was stronger than expected, and up from 2.6% in Q4.

Monthly personal income and spending data for March were stronger than expected. And despite the upside surprise to Q1 core PCE in the GDP report, the March monthly figure was unchanged, but there were upward

revisions to previous months. Nonetheless, inflation is expected to move higher as the full impact of tariffs is reflected.

Turning to the labour market, the US employment cost index increased 0.9% in Q1 matching consensus estimates. The annual rate fell to 3.6%. ADP private payrolls were weaker than expected and increased 62K in April. However, the relationship with official payrolls, which are released on Friday night, is not strong.

An initial move higher in treasury yields after the GDP data faded and 2-year yields declined 4bp to 3.61%. The market is pricing ~100bp of Federal Reserve rate cuts by December, up from 95bp ahead of the data. 10-year yields retraced from an intra-day peak of 4.22%, to be little changed at 4.17%. The treasury refunding announcement was broadly as expected. Coupon auction sizes are unchanged and there was steady guidance for 'at least' the next several quarters.

In currency markets, the US dollar has made modest gains against the majority of G10 currencies. An upward surprise for Eurozone Q1 GDP failed to provide EUR/USD with any lasting support. NZD/USD fell towards 0.5900 but a subsequent rebound leaves the pairing little changed from the local close yesterday. The NZD is marginally firmer on the major crosses.

Q1 CPI in Australia was modestly above expectations. The headline rate increased 0.9% in the quarter leaving the annual rate unchanged at 2.4%. The trimmed mean measure increased 0.7% q/q and 2.9% y/y. The stronger than expected reading reduces the likelihood of a larger 50bp cut by the RBA later this month. Front end rates moved higher immediately following the release.

Chinese official PMIs came in weaker than expected likely reflecting the initial impact from the trade war. The composite PMI fell to 50.2, the weakest level since January. Outward bound cargo shipments have slumped, and officials have outlined plans to help firms access to finance and to boost domestic consumption. Consensus GDP forecasts have been revised lower to 4.2% for 2025.

NZ fixed income yields moved lower in the local session yesterday with a curve flattening bias. 2-year swap rates dipped 2bp to 3.06%, with terminal OCR trading below

2.70%, and close to the April low. 10-year yields closed 5bp lower at 3.93%.

10-year government bond yields dropped 3bp to 4.44%, which is the lowest level in three weeks as the market continues to retrace from the sharp selloff from earlier last month. Australian 10-year bond futures are little changed since the local close yesterday suggesting limited directional bias for NZ yields on the open.

The weekly government bond tender is scheduled today. As previously indicated by NZ Debt Management, total nominal issuance volumes will decline by NZ\$50 million to NZ\$450 million per week in May. Today's tender will offer the May-2030 (\$250m), May-2034 (\$150m) and May-2054 (\$50m) maturities. The 2054 line is being tendered for the first time since March with NZDM limiting ultra issuance though April given the underperformance at the long end of the yield curve.

After the economic data deluge in the past 24 hours, the calendar is less populated in the day ahead. There is no domestic data of note. The Bank of Japan is widely expected to leave rates on hold and wait until the July meeting to consider a further hike, though trade uncertainty could keep rates steady for longer. The ISM manufacturing index is released overnight and is expected to fall further below 50.

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Coming Up

		Period	Cons.	Prev.	NZT
AU	Trade Balance	Mar	3200	2968	13:30
JN	BOJ Target Rate	May	0.5	0.5	
US	Initial Jobless Claims	26 Apr	224	222	0:30
US	ISM Manufacturing	Apr	48	49	2:00

Source: Bloomberg, BNZ

Currencies					Equities					Commodities				
FX Majors	Indicative overnight ranges (*)				Other FX		Major Indices				Price (Near futures, except CRB)			
	Last	% Day	Low	High	Last	% Day	Last	% Day	% Year	Last	Net Day			
NZD	0.5941	+0.2	0.5899	0.5946	CHF	0.8226	-0.1	S&P 500	5,522	-0.8	9.7	Oil (Brent)	63.12	-1.8
AUD	0.6405	+0.3	0.6356	0.6413	SEK	9.652	+0.2	Dow	40,358	-0.4	6.7	Oil (WTI)	58.22	-3.7
EUR	1.1350	-0.3	1.1324	1.1390	NOK	10.394	+0.3	Nasdaq	17,299	-0.9	10.5	Gold	3312.1	-0.6
GBP	1.3341	-0.5	1.3309	1.3401	HKD	7.756	-0.0	Stoxx 50	5,160	-0.0	4.9	HRC steel	865.0	-1.7
JPY	142.87	+0.4	142.52	143.15	CNY	7.271	-0.0	FTSE	8,495	+0.4	4.3	CRB	294.2	-1.2
CAD	1.3784	-0.3			SGD	1.306	-0.2	DAX	22,497	+0.3	25.5	Wheat Chic.	531.8	+1.2
NZD/AUD	0.9276	-0.2			IDR	16,603	-0.9	CAC 40	7,594	+0.5	-4.9	Sugar	17.46	-1.4
NZD/EUR	0.5234	+0.5			THB	33.38	-0.2	Nikkei	36,045	+0.6	-5.8	Cotton	65.77	-1.3
NZD/GBP	0.4453	+0.7			KRW	1,425	-0.6	Shanghai	3,279	-0.2	4.4	Coffee	400.8	-0.1
NZD/JPY	84.88	+0.6			TWD	31.97	-0.7	ASX 200	8,126	+0.7	7.3	WM powder	4230	+0.1
NZD/CAD	0.8189	-0.2			PHP	55.86	-0.5	NZX 50	11,903	-1.0	0.3	Australian Futures		
NZ TWI	69.42	+0.1						VIX Index	25.42	+5.2	+62.4	3 year bond	96.70	0.00
												10 year bond	95.85	0.04
Interest Rates														
	Rates		Swap Yields		Benchmark 10 Yr Bonds		NZ Government Bonds				NZ BKBM and Swap Yields			
	Cash	3Mth	2 Yr	10 Yr	Last	Net Day		Last	Chg		Last	Chg		
USD	4.50	4.85	3.38	3.65	USD	4.18	0.01	15-Apr-27	3.25	-0.01	BKBM 1-mth	3.61	-0.01	
AUD	4.10	3.87	3.18	4.03	AUD	4.16	-0.02	15-May-28	3.45	-0.01	BKBM 3-mth	3.43	0.01	
NZD	3.50	3.43	3.06	3.93	NZD	4.44	-0.03	20-Apr-29	3.62	-0.01	1 year	3.06	-0.01	
EUR	2.25	2.18	1.89	2.43	GER	2.44	-0.05	15-May-30	3.80	-0.01	2 year	3.06	-0.02	
GBP	4.50	4.62	3.60	3.93	GBP	4.44	-0.04	15-May-31	3.98	-0.02	3 year	3.17	-0.02	
JPY	0.48	-0.03	0.65	1.05	JPY	1.32	-0.00	15-May-32	4.15	-0.03	5 year	3.41	-0.03	
CAD	2.75	4.97	2.31	2.79	CAD	3.08	-0.06	14-Apr-33	4.24	-0.03	7 year	3.66	-0.04	
								15-May-34	4.34	-0.04	10 year	3.93	-0.05	
								15-May-35	4.44	-0.03	15 year	4.19	-0.05	
					Policy Meeting Run			15-May-36	4.55	-0.03	NZ Inflation-Indexed Bonds			
					NZD			15-May-37	4.66	-0.03	Sep-30	1.92	0.00	
					AUD			15-May-41	4.91	-0.03	Sep-35	2.63	-0.06	
					USD			15-May-51	5.11	-0.03	Sep-40	2.96	-0.06	
					1st		3.24	3.82	4.31					
					2nd		3.05	3.61	4.16					
					3rd		2.86	3.35	3.92					
					4th		2.71	3.17	3.69					
					5th		2.68	2.98	3.50					
* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer														
Rates are as of: NZT 06:50														
Source: Bloomberg														

NZD exchange rates

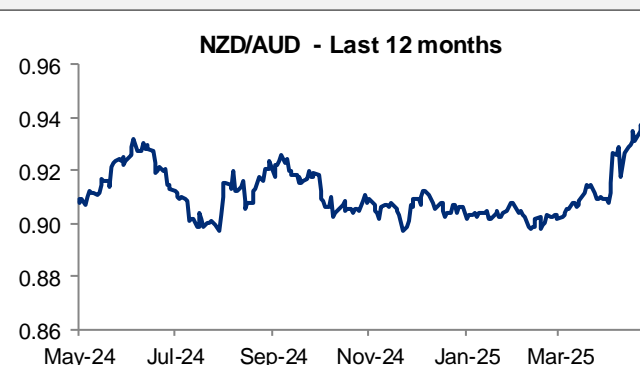
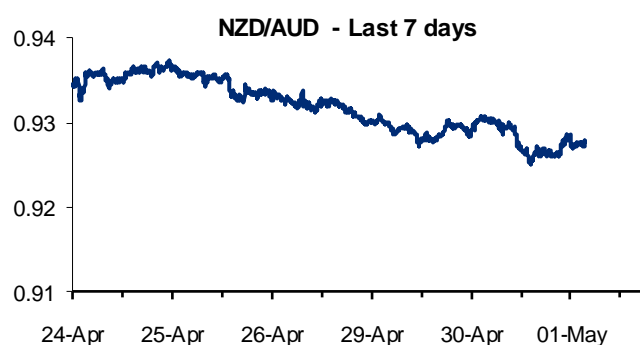
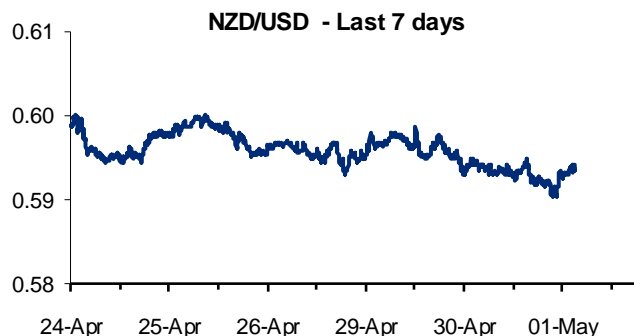
1/05/2025	6:51 am	Prev. NY close
USD	0.5941	0.5931
GBP	0.4453	0.4423
AUD	0.9276	0.9290
EUR	0.5234	0.5209
JPY	84.88	84.42
CAD	0.8189	0.8204
CHF	0.4887	0.4887
DKK	3.9073	3.8879
FJD	1.3493	1.3544
HKD	4.6077	4.6019
INR	50.20	50.56
NOK	6.1750	6.1491
PKR	166.93	166.71
PHP	33.19	33.31
PGK	2.4229	2.4198
SEK	5.7345	5.7123
SGD	0.7756	0.7755
CNY	4.3199	4.3127
THB	19.85	19.81
TOP	1.3887	1.4068
VUV	72.18	72.09
WST	1.6593	1.6525
XPF	62.30	62.20
ZAR	11.0494	11.0014

NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	5.33	5.63
3 Months	16.94	17.44
6 Months	32.80	33.80
9 Months	44.52	46.93
1 Year	51.85	54.85

NZD/AUD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	5.14	5.83
3 Months	16.13	17.37
6 Months	28.77	31.79
9 Months	36.87	43.19
1 Year	43.45	52.23



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