

# Research Markets Today

3 June 2025

## Events Round-Up

US: ISM Manufacturing, May: 48.5 vs. 49.2 exp.

## Good morning

After registering solid gains of more than 6% during May, the S&P is little changed to begin the new month. US steel and aluminium shares gained after President Trump said he would double tariffs on imports. Trade tensions remain in focus after China and the US accused each other of violating their trade deal from last month and the European Union warned it may speed up retaliatory measures. Treasury yields rose, despite a weaker than expected manufacturing ISM report, and the US dollar is weaker against G10 currencies.

Crude oil prices climbed more than 2% despite the announcement over the weekend that OPEC+ has agreed to increase oil output for the third consecutive month. Supply will be increased by 411,000 barrels a day in July, the same as the preceding two months. Several OPEC+ countries are overproducing their quotas, and the additional supply is expected to test the resilience of the oil price.

The US ISM index edged down to 48.5, suggesting that factory activity contracted in May, for the third consecutive month. The index dipped marginally compared with the April reading and was below consensus estimates. The new orders and employment subindices remain weak, but the dip in the headline index was almost entirely related the fall in inventories, as companies respond to the hit from tariffs. The prices paid component remained elevated and is consistent with a pickup in core goods price inflation.

Federal Reserve Governor Waller said he continues to see a path towards interest rate cuts later this year. He expects tariffs will weaken the labour market and increase inflation in coming months, but favours looking through near term higher inflation, if expectations remain contained. Waller largely dismissed the recent increase in inflation expectations in consumer surveys and prefers market-based measures and professional forecasts.

The market trimmed Fed easing expectations at the margin. There is around 50bp of cuts priced compared with 55bp on Friday. US treasury yields moved higher across the

curve. There was a brief dip after the ISM data, but this wasn't sustained. The selloff was led by the longer end of the curve. 10-year yields are 7bp higher at 4.47% after ending last week at 4.40%, the lowest level since the middle of May.

US dollar weakness has been the key theme in currency markets. The dollar index failed to get any support from higher treasury yields and reached the overnight low after the weaker than expected ISM data. All the G10 currencies have made gains although the Canadian dollar has underperformed.

NZD/USD traded above 0.6000 to begin the week and made a fresh 2025 high just below 0.6040. The 0.6030/0.6040 region has formed the topside of the range on several occasions through the past six weeks. The NZD has been the strongest G10 currency since the open yesterday making gains on the major crosses. NZD/AUD is back towards the recent highs at 0.9290.

Curve flattening was the dominant theme for NZ fixed income, in the local session on Friday, ahead of the long weekend. 2-year swap rates declined 4bp to 3.29% while 10-year rates closed at 4.14%, 8bp lower. The 2y/10y curve, at 85bp, is the flattest since early April. The government curve largely matched the move in swaps with 10-year bonds closing last week at 4.57%.

Australian 10-year bond futures are 4bp higher in yield terms, since the NZ close on Friday which suggest an upward bias for NZGB yields on the open.

The only domestic economic data of note today is Q1 terms of trade. The Caixin manufacturing PMI is scheduled in China. The official manufacturing and service PMIs, which captured the initial period after the trade truce, were broadly stable and matched consensus expectations.

Eurozone CPI is expected to decelerate in May, supporting the case for a further 25bp rate cut, by the ECB this week. JOLTS job openings data will be in focus in the US ahead of the labour market report on Friday.

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## Coming Up

		Period	Cons.	Prev.	NZT
NZ	Terms of Trade Index (q/q%)	1Q	3.1	10:45	
AU	BoP Current Account Balance	1Q	-13	13:30	
CH	Caixin China PMI Mfg	May	50.8	50.4	13:45
EC	CPI Estimate (y/y%)	May P	2.2	21:00	
EC	CPI Core (y/y%)	May P	2.7	21:00	
EC	Unemployment Rate	Apr	6.2	21:00	
US	JOLTS Job Openings	Apr	7100	7192	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	0.6022	+1.0	0.6004	0.6039	CHF	0.8180	-0.5	S&P 500	5,911	-0.0	12.0	Oil (Brent)	64.64	+3.0
AUD	0.6483	+0.8	0.6467	0.6500	SEK	9.544	-0.6	Dow	42,124	-0.2	8.9	Oil (WTI)	62.52	+2.9
EUR	1.1424	+0.7	1.1399	1.1450	NOK	10.099	-1.1	Nasdaq	19,174	+0.4	14.6	Gold	3370.6	+2.5
GBP	1.3520	+0.5	1.3518	1.3560	HKD	7.845	+0.0	Stoxx 50	5,356	-0.2	7.5	HRC steel	884.0	+5.2
JPY	142.93	-0.7	142.54	143.28	CNY	7.199	+0.2	FTSE	8,774	+0.0	6.0	CRB	290.4	-0.1
CAD	1.3721	-0.1			SGD	1.287	-0.3	DAX	23,931	-0.3	29.4	Wheat Chic.	553.8	+1.1
NZD/AUD	0.9289	+0.2			IDR	16,253	-0.5	CAC 40	7,737	-0.2	-3.2	Sugar	16.88	-1.1
NZD/EUR	0.5271	+0.3			THB	32.54	-1.0	Nikkei	37,471	-1.3	-3.7	Cotton	66.26	+1.8
NZD/GBP	0.4454	+0.7			KRW	1,379	-0.2	Shanghai	3,347	-0.5	8.7	Coffee	344.5	+0.3
NZD/JPY	86.07	+0.2			TWD	29.96	+0.3	ASX 200	8,414	-0.2	8.4	WM powder	4010	+0.4
NZD/CAD	0.8263	+0.9			PHP	55.71	-0.1	NZX 50	12,419	+1.1	4.6	Australian Futures		
NZ TWI	69.66	+0.6						VIX Index	18.88	+1.7	+46.1	3 year bond	96.66	0.00
Interest Rates												3 year bond 96.66 0.00		
												10 year bond 95.70 -0.06		
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	3.72	3.92	USD	4.46	0.06	15-Apr-27	3.43	0.00	BKBM 1-mth	3.36	0.00	
AUD	3.85	3.71	3.25	4.21	AUD	4.27	0.01	15-May-28	3.63	0.00	BKBM 3-mth	3.32	0.00	
NZD	3.25	3.32	3.29	4.14	NZD	4.56	0.00	20-Apr-29	3.79	0.00	1 year	3.21	0.00	
EUR	2.25	2.00	1.94	2.52	GER	2.52	0.02	15-May-30	3.96	0.00	2 year	3.29	0.00	
GBP	4.25	4.54	3.84	4.16	GBP	4.67	0.02	15-May-31	4.15	0.00	3 year	3.42	0.00	
JPY	0.48	-0.03	0.75	1.25	JPY	1.51	0.01	15-May-32	4.29	0.00	5 year	3.67	0.00	
CAD	2.75	4.97	2.43	2.96	CAD	3.22	0.02	14-Apr-33	4.39	0.00	7 year	3.89	0.00	
								15-May-34	4.48	0.00	10 year	4.14	0.00	
								15-May-35	4.56	0.00	15 year	4.39	0.00	
								15-May-36	4.66	0.00	NZ Inflation-Indexed Bonds			
								15-May-37	4.77	0.00	Sep-30	2.22	0.00	
								15-May-41	5.03	0.00	Sep-35	2.87	0.00	
								15-May-51	5.22	0.00	Sep-40	3.25	0.00	
								15-May-54	5.26	0.00				

**NZD exchange rates**

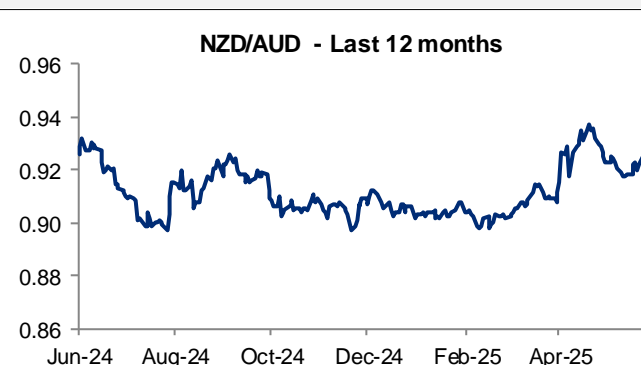
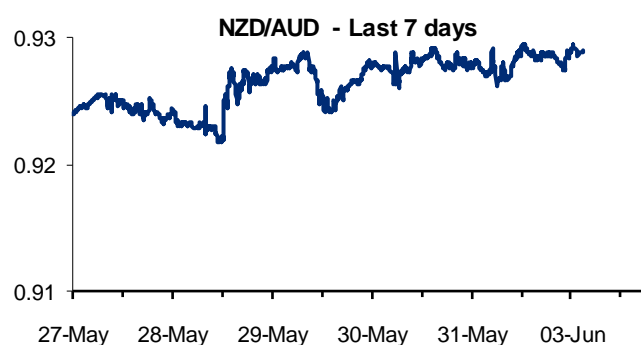
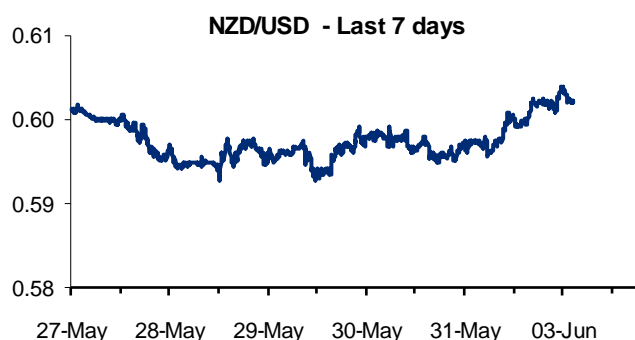
<b>3/06/2025</b>	<b>6:16 am</b>	<b>Prev. NY close</b>
USD	0.6022	0.5963
GBP	0.4454	0.4430
AUD	0.9289	0.9272
EUR	0.5271	0.5255
JPY	86.07	85.88
CAD	0.8263	0.8193
CHF	0.4926	0.4904
DKK	3.9327	3.9198
FJD	1.3658	1.3506
HKD	4.7241	4.6758
INR	51.42	51.03
NOK	6.0818	6.0897
PKR	169.79	168.17
PHP	33.55	33.26
PGK	2.4490	2.4200
SEK	5.7472	5.7230
SGD	0.7747	0.7698
CNY	4.3352	4.2850
THB	19.77	19.54
TOP	1.4044	1.3906
VUV	72.94	72.19
WST	1.6483	1.6495
XPF	63.10	62.69
ZAR	10.7661	10.7350

**NZD/USD Forward Points**

	<b>BNZ buys NZD</b>	<b>BNZ sells NZD</b>
1 Month	6.47	6.71
3 Months	18.78	19.27
6 Months	36.67	37.79
9 Months	50.46	53.02
1 Year	60.73	64.15

**NZD/AUD Forward Points**

	<b>BNZ buys NZD</b>	<b>BNZ sells NZD</b>
1 Month	5.59	6.10
3 Months	13.96	15.20
6 Months	23.07	25.85
9 Months	28.08	33.65
1 Year	30.20	38.75



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