

Research Markets Today

5 June 2025

Events Round-Up

AU: GDP (q/q%), Q1: 0.2 vs. 0.4 exp.

US: ADP employment change (k), May: 37 vs. 112 exp.

US: ISM services index, May: 49.9 vs. 52 exp.

CA: Bank of Canada policy rate, Jun: 2.75 vs. 2.75 exp.

Good morning

US treasury yields declined amid soft US economic data. Equity markets were less impacted, and the S&P is marginally higher in afternoon trade. Global equities reached a fresh all time high, as measured by the MSCI All-Country World Index, above the previous peak in February. The index has been underpinned by large gains by European stocks with the Euro Stoxx up 10% in 2025. The US dollar declined against G10 currencies.

US economic data was weaker than expected and adds to the evidence that activity is slowing following the tariff shock. ADP private payrolls increased 37k in May, well below the 112k consensus. However, this series does not have a strong relationship with the official labour market data released tomorrow night, where the consensus estimate is for a 120k increase in private payrolls.

The services ISM fell to 49.9 from 51.6 and follows a soft manufacturing ISM earlier in the week. The drop in the headline index reflected a plunge in the new orders component, while employment was stable. The prices paid index increased to the highest level in thirty months, reflecting the higher costs of imports.

US treasury yields fell sharply in response as the market priced additional easing by the Federal Reserve. There is 57bp of cuts priced for this year, compared with less than 50bp prior, to the data. This repricing supported the rally in treasuries. 10-year yields decreased 10bp to 4.36%, the lowest level in almost a month.

The soft data weighed on the US dollar matching the price action in treasuries. The dollar index dropped close to 0.5%, to the weakest level in more than a month, and is not far above the multi-year low reached in April. The yen was the best performing G10 currency while the pound lagged the move. NZD/USD moved steadily higher overnight before stalling ahead of 0.6040.

The Bank of Canada kept rates on hold at 2.75% while noting the uncertainty about the impact of tariffs on the economy. Policymakers suggested a further rate cut could be required if the economy weakens and inflation remains contained. The Bank is waiting for clearer signals about how the trade tensions will resolve. There is 37bp of easing priced by the end of the year, little changed after the decision.

Australia's Q1 GDP increased 0.2% which was below the 0.4% consensus estimate. The data was impacted by several temporary factors and underlying activity remains soft. Household consumption will need to strengthen for overall growth to return to trend. The AUD and front-end rates were little changed in response despite a brief period of volatility after the release.

NZ fixed income yields ended the local session yesterday lower in yield. 2-year swap rates declined 4bp to 3.24% continuing the retracement from the post-RBNZ selloff and outperforming on a cross-market basis. The curve flattened with 10-year swaps ending the session 7bp lower at 4.10%. The government curve had a 5bp parallel shift lower with 10-year bonds closing at 4.56%.

The weekly government bond tender is scheduled this afternoon. NZ Debt Management will offer the Apr-2029 (\$200m), Apr-2035 (\$200m) and May-2054 (\$50m) nominal maturities. The May-2035 bond hasn't been tendered since the tap syndication in February. In addition, there will be a small parcel of Sep-2035 (\$25m) inflation linked bonds offered.

Australian 10-year bond futures are ~4bp lower in yield terms, since the local close yesterday, which suggests a downward bias for NZ yields on the open.

Building activity in Q1 is released today and the Government's Financial Statements for the 10 months to April are scheduled. The Caixin services PMI in China will be closely monitored after the manufacturing PMI undershot expectations. The European Central Bank is expected to reduce rates by 25bp, taking the Deposit Rate down to 2%. This is fully discounted by the market. Updated forecasts will also be released.

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		Period	Cons.	Prev.	NZT
NZ	Volume of All Buildings SA (q/q%)	1Q	-0.8	-4.4	10:45
JN	Full-Time Pay - Same Base (y/y%)	Apr	2.3	2	11:30
AU	Trade Balance	Apr	6000	6900	13:30
CH	Caixin China PMI Services	May	51	50.7	13:45
GE	Factory Orders (m/m%)	Apr	-1.5	3.6	18:00
EC	ECB Deposit Facility Rate	June	2	2.25	0:15
US	Trade Balance	Apr	-66.0	-140	0:30
US	Initial Jobless Claims (k)	May31	235	240	0:30

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	0.6036	+0.7	0.5998	0.6039	CHF	0.8176	-0.8	S&P 500	5,987	+0.3	13.2	Oil (Brent)	64.84	-1.3
AUD	0.6501	+0.6	0.6459	0.6505	SEK	9.568	-0.6	Dow	42,577	+0.1	10.0	Oil (WTI)	62.79	-1.1
EUR	1.1426	+0.5	1.1375	1.1435	NOK	10.090	-0.7	Nasdaq	19,487	+0.4	15.6	Gold	3373.5	+0.7
GBP	1.3564	+0.4	1.3512	1.3580	HKD	7.846	+0.0	Stoxx 50	5,405	+0.5	9.1	HRC steel	872.0	+0.2
JPY	142.77	-0.9	142.61	144.32	CNY	7.178	-0.1	FTSE	8,801	+0.2	6.9	CRB	296.8	+0.6
CAD	1.3663	-0.4			SGD	1.286	-0.3	DAX	24,276	+0.8	31.9	Wheat Chic.	557.5	+1.3
NZD/AUD	0.9285	+0.0			IDR	16,295	-0.1	CAC 40	7,805	+0.5	-1.7	Sugar	16.75	-0.9
NZD/EUR	0.5283	+0.2			THB	32.57	-0.3	Nikkei	37,747	+0.8	-1.9	Cotton	64.99	-1.6
NZD/GBP	0.4450	+0.3			KRW	1,364	-1.0	Shanghai	3,376	+0.4	10.1	Coffee	346.2	+1.6
NZD/JPY	86.18	-0.2			TWD	29.99	-0.0	ASX 200	8,542	+0.9	9.9	WM powder	3975	-0.6
NZD/CAD	0.8247	+0.2			PHP	55.79	+0.1	NZX 50	12,495	+1.4	4.2	Australian Futures		
NZ TWI	69.68	+0.3						VIX Index	17.53	-0.9	+33.2	3 year bond	96.66	-0.01
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	3.66	3.84	USD	4.36	-0.10	15-Apr-27	3.37	-0.05	BKBM 1-mth	3.36	0.00	
AUD	3.85	3.71	3.19	4.10	AUD	4.25	-0.01	15-May-28	3.57	-0.06	BKBM 3-mth	3.32	0.00	
NZD	3.25	3.32	3.24	4.10	NZD	4.55	-0.06	20-Apr-29	3.73	-0.06	1 year	3.19	-0.02	
EUR	2.25	1.97	1.95	2.51	GER	2.53	0.00	15-May-30	3.91	-0.06	2 year	3.24	-0.04	
GBP	4.25	4.53	3.80	4.10	GBP	4.61	-0.03	15-May-31	4.10	-0.06	3 year	3.36	-0.05	
JPY	0.48	-0.03	0.75	1.25	JPY	1.51	0.01	15-May-32	4.26	-0.06	5 year	3.62	-0.06	
CAD	2.75	4.97	2.47	2.98	CAD	3.23	-0.04	14-Apr-33	4.36	-0.06	7 year	3.85	-0.06	
								15-May-34	4.46	-0.06	10 year	4.10	-0.07	
								15-May-35	4.55	-0.06	15 year	4.36	-0.06	
								15-May-36	4.64	-0.06				
								15-May-37	4.76	-0.06	NZ Inflation-Indexed Bonds			
								15-May-41	5.02	-0.06	Sep-30	2.19	-0.04	
								15-May-51	5.21	-0.06	Sep-35	2.83	-0.05	
								15-May-54	5.26	-0.06	Sep-40	3.22	-0.06	
* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer														
Rates are as of: NZT 06:27														
Source: Bloomberg														

NZD exchange rates

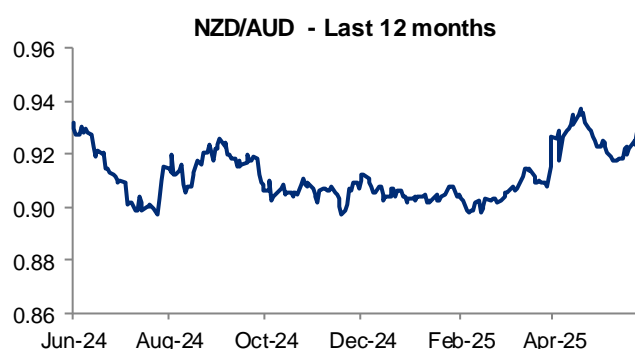
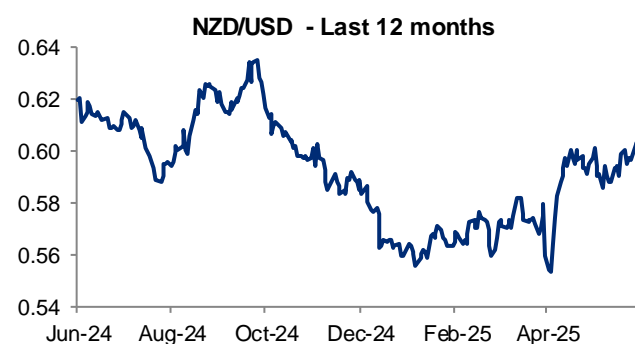
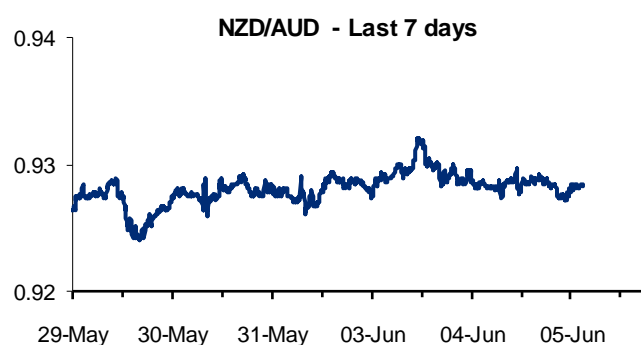
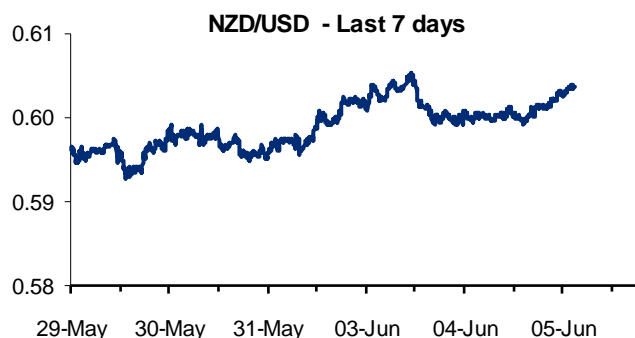
5/06/2025	6:27 am	Prev. NY close
USD	0.6036	0.5998
GBP	0.4450	0.4437
AUD	0.9285	0.9282
EUR	0.5283	0.5274
JPY	86.18	86.35
CAD	0.8247	0.8229
CHF	0.4935	0.4942
DKK	3.9400	3.9346
FJD	1.3672	1.3616
HKD	4.7361	4.7055
INR	51.85	51.34
NOK	6.0901	6.0943
PKR	170.31	169.11
PHP	33.67	33.43
PGK	2.4778	2.4452
SEK	5.7751	5.7715
SGD	0.7759	0.7736
CNY	4.3326	4.3115
THB	19.74	19.69
TOP	1.4060	1.4050
VUV	72.98	72.34
WST	1.6507	1.6445
XPF	63.24	62.99
ZAR	10.7481	10.7130

NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	6.02	6.36
3 Months	18.94	19.38
6 Months	36.40	37.40
9 Months	49.39	51.62
1 Year	59.00	62.60

NZD/AUD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	5.11	5.87
3 Months	13.18	14.27
6 Months	21.14	23.72
9 Months	24.71	30.18
1 Year	25.59	34.55



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