

Research Markets Today

5 May 2025

Events Round-Up

NZ: Dwelling consents (m/m%), Mar: 9.6 vs. 0.7 exp.
 AU: Real retail sales (q/q%), Q1: 0.0 vs. 0.3 exp.
 EC: CPI (y/y%), Apr: 2.2 vs. 2.1 exp.
 EC: CPI core (y/y%), Apr: 2.7 vs. 2.5 exp.
 EC: Unemployment rate (%), Mar: 6.2 vs. 6.1 exp.
 US: Chg in nonfarm payrolls (k), Apr: 177 vs. 135 exp.
 US: Unemployment rate (%), Apr: 4.2 vs. 4.2 exp.
 US: Avg hourly earnings (m/m%), Apr: 0.2 vs. 0.3 exp.
 US: Avg hourly earnings (y/y%), Apr: 3.8 vs. 3.9 exp.

Good morning

Global equity markets made solid gains into the end of last week supported by signs of a potential de-escalation in the trade war between the US and China along with resilient US labour market data. China's Ministry of Commerce said it is assessing the possibility of trade talks with the US and that US officials have repeatedly expressed a desire to negotiate with China on tariffs. Bloomberg reported that China has started to exempt some US imports from tariffs, representing around US\$40 billion, aimed at reducing the impact on its economy.

The S&P closed the session 1.5% higher and the index has fully unwound the losses that followed 'liberation day'. Oil prices extended lower after it was reported that OPEC+ planned to increase supply by a further 400k barrels a day in June aimed at curbing overproduction by some members. Saudi Arabia warned it could deliver further production rises. Brent crude traded below US\$61 before making a modest rebound.

US payrolls rose by 177k in April, above the 135k consensus estimate, though there were downward revisions of 58k to previous months. The unemployment rate remained steady at 4.2%. Hourly earnings were marginally below expectations, increasing 0.2% in the month which saw the annual rate remain constant at 3.8%. The labour market data remains resilient, but this report provides an indication of labour demand ahead of the early April tariff announcements.

The market pared expectations for easing by the Federal Reserve after the data. There is 80bp of total easing priced for this year, compared to around 90bp earlier in the

session. The first 25bp cut is not fully discounted until the July FOMC. There was a sharp selloff in treasuries led by the front end. 2-year yields increased 13bp to 3.82% as investors reassess how quickly tariffs will impact the economy. The curve flattened with the yield on 10-year notes increasing 9bp to 4.31%.

Eurozone headline CPI remained steady at a 2.2% annual rate in April which compared consensus expectations for a drop to 2.1%. Core inflation rose to 2.7%, from 2.4% in March which was also above expectations. The market is pricing above a 90% chance of a 25bp at the ECB's June meeting and was little changed following the release. European bonds close higher in yield but the move only gained momentum after the US data.

In currency markets, the US dollar index initially weakened but reversed course in line with the move higher in US rates. The dollar index ended little changed from the NZ close on Friday. The US dollar was mixed against G10 currencies. The euro and pound were modestly weaker while the NZD, AUD and yen all gained close to 0.3% relative to the NZ close.

There were some unusually large moves in North Asian currencies, led by the Taiwan dollar, where 1-month non-deliverable forward prices appreciated almost 5%, as exporters and local asset managers scrambled to cover underweight positions. The move spilled over to the Korean won is often used by Taiwanese investors as a proxy hedge for offshore assets.

An initial move higher for NZ yields in the local session on Friday reversed course after softer than expected Australian retail sales data. 2-year swaps closed 1bp higher at 3.07% while the curve flattened at the margin with 10-year rates falling 1bp to 3.94%. Government bonds outperformed. The May-2035 10-year benchmark yield declined 3bp to 4.44%.

Australian 10-year government bond futures are ~5bp higher in yield terms since the local close on Friday, suggesting an upward bias, for NZ yields on the open.

There is no domestic or regional economic data of note today. The US services ISM is the only significant release overnight. The consensus expects a further decline to 50.2 which if realised will be the weakest level since June last year. Key events through the remainder of the week

include labour market data in NZ. The US Federal Reserve is expected to keep its policy rate steady while Bank of England is likely to cut rates by 25bp to 4.25%.

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Coming Up

	Period	Cons.	Prev.	NZT
US ISM Services Index	Apr	50.2	50.8	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	0.5947	+0.7	0.5914	0.5978	CHF	0.8270	-0.3	S&P 500	5,687	+1.5	12.3	Oil (Brent)	61.29	-1.4
AUD	0.6447	+0.8	0.6410	0.6470	SEK	9.663	-0.9	Dow	41,317	+1.4	8.1	Oil (WTI)	58.29	-1.6
EUR	1.1300	+0.1	1.1293	1.1381	NOK	10.428	-0.2	Nasdaq	17,978	+1.5	13.5	Gold	3243.3	+0.7
GBP	1.3271	-0.0	1.3264	1.3331	HKD	7.750	-0.1	Stoxx 50	5,285	+2.4	8.1	HRC steel	874.0	+0.8
JPY	144.92	-0.3	143.73	145.27	CNY	7.271	-0.0	FTSE	8,596	+1.2	5.2	CRB	290.3	+0.3
CAD	1.3818	-0.3			SGD	1.300	-1.0	DAX	23,087	+2.6	29.0	Wheat Chic.	543.0	+2.3
NZD/AUD	0.9224	-0.3			IDR	16,437	-0.8	CAC 40	7,770	+2.3	-1.8	Sugar	17.20	+0.2
NZD/EUR	0.5262	+0.6			THB	33.09	-1.3	Nikkei	36,831	+1.0	-5.2	Cotton	70.18	+7.0
NZD/GBP	0.4481	+0.7			KRW	1,401	-2.4	Shanghai	3,279	-0.2	4.4	Coffee	385.4	+0.2
NZD/JPY	86.18	+0.5			TWD	30.75	-4.1	ASX 200	8,238	+1.1	8.0	WM powder	4235	+0.0
NZD/CAD	0.8217	+0.4			PHP	55.60	-0.5	NZX 50	12,328	+1.5	3.3	Australian Futures		
NZ TWI	69.36	+0.2						VIX Index	22.68	-7.8	+54.5	3 year bond	96.68	-0.03
Interest Rates												10 year bond	95.73	-0.04
	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	3.59	3.77	USD	4.31	0.09	15-Apr-27	3.25	0.00	BKBM 1-mth	3.58	0.00	
AUD	4.10	3.86	3.27	4.15	AUD	4.22	0.03	15-May-28	3.45	-0.00	BKBM 3-mth	3.40	-0.02	
NZD	3.50	3.40	3.07	3.94	NZD	4.44	-0.02	20-Apr-29	3.61	-0.01	1 year	3.06	0.00	
EUR	2.25	2.16	1.95	2.50	GER	2.53	0.09	15-May-30	3.80	-0.00	2 year	3.07	0.01	
GBP	4.50	4.62	3.65	3.98	GBP	4.51	0.03	15-May-31	3.98	-0.01	3 year	3.18	0.01	
JPY	0.48	-0.03	0.63	1.06	JPY	1.26	0.01	15-May-32	4.14	-0.01	5 year	3.43	0.00	
CAD	2.75	4.97	2.38	2.89	CAD	3.18	0.08	14-Apr-33	4.24	-0.01	7 year	3.67	-0.01	
								15-May-34	4.34	-0.02	10 year	3.94	-0.01	
								15-May-35	4.44	-0.02	15 year	4.21	-0.01	
								15-May-36	4.54	-0.02	NZ Inflation-Indexed Bonds			
								15-May-37	4.66	-0.03	Sep-30	2.05	0.07	
								15-May-41	4.91	-0.03	Sep-35	2.69	0.01	
								15-May-51	5.12	-0.03	Sep-40	3.02	0.01	
								15-May-54	5.16	-0.03				

NZD exchange rates

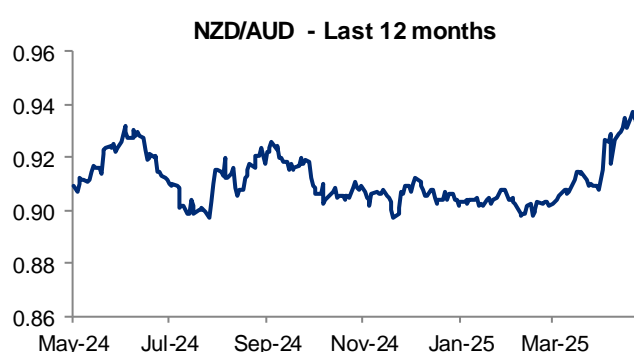
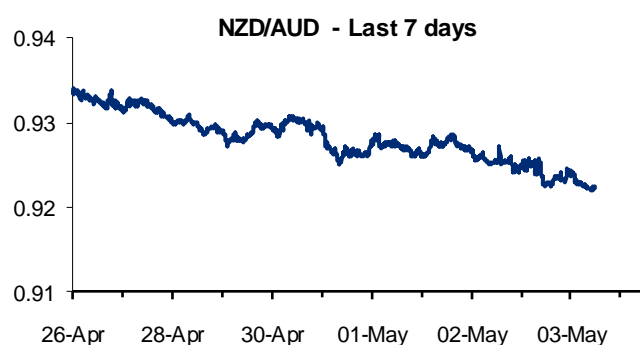
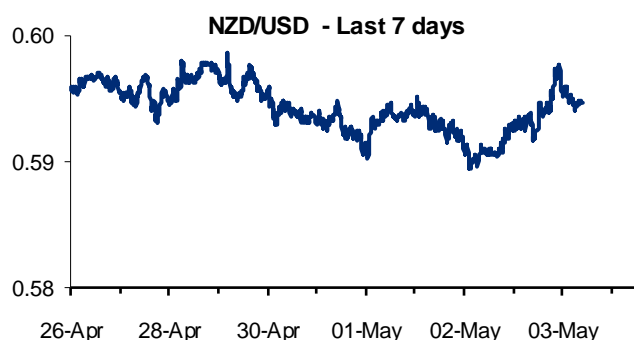
3/05/2025	NY close	Prev. NY close
USD	0.5947	0.5907
GBP	0.4481	0.4449
AUD	0.9224	0.9254
EUR	0.5262	0.5232
JPY	86.18	85.88
CAD	0.8217	0.8184
CHF	0.4919	0.4901
DKK	3.9291	3.9043
FJD	1.3503	1.3492
HKD	4.6097	4.5819
INR	50.30	49.91
NOK	6.2028	6.1693
PKR	167.12	166.03
PHP	33.06	33.00
PGK	2.4278	2.4100
SEK	5.7474	5.7568
SGD	0.7730	0.7751
CNY	4.3250	4.2952
THB	19.67	19.74
TOP	1.3894	1.3818
VUV	72.31	71.69
WST	1.6621	1.6470
XPF	62.52	62.11
ZAR	10.9440	10.9692

NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	5.18	5.54
3 Months	17.19	18.16
6 Months	34.90	36.70
9 Months	49.61	52.73
1 Year	59.18	63.50

NZD/AUD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	4.65	5.60
3 Months	15.70	17.62
6 Months	29.46	33.74
9 Months	39.31	45.65
1 Year	46.00	56.10



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