

Research Markets Today

7 April 2025

Events Round-Up

CA: Unemployment rate (%), Mar: 6.7 vs. 6.7 exp.
 US: Change in nonfarm payrolls (k), Mar: 228 vs. 151 exp.
 US: Unemployment rate (%), Mar: 4.2 vs. 4.1 exp.
 US: Avg hourly earnings (m/m%), Mar: 0.3 vs. 0.3 exp.
 US: Avg hourly earnings (y/y%), Mar: 3.8 vs. 4.0 exp.

Good morning

There was extreme volatility across global financial markets into the end of last week. The S&P closed the session more than 6% lower and there were huge moves in currency markets. The US dollar strengthened against G10 currencies and left its largest footprint in the NZD and AUD, which dropped 3% and 4% respectively against the US dollar from the local close. US Treasuries extended the recent rally with 10-yields trading below 4.0%.

Risk sentiment was already fragile as the new US tariff regime continued to reverberate across markets. The initial catalyst for a renewed bout of weakness came after China escalated the trade war by announcing an extra 34% tariff on US goods and imposed export controls on rare earths. The 34% rate matches the level of the reciprocal tariffs. Equities didn't take any comfort from Fed Chair Powell's speech which didn't reflect an increased sense of urgency around lowering rates.

Commodity prices fell sharply on concern about global growth and how tariffs might impact the demand outlook. Brent crude traded below US\$65 for the first time since August 2021, with the OPEC+ decision earlier last week to increase supply, also weighing on prices. Base metals tumbled with US traded copper falling 9%. The selling even extended to gold, which illustrates the impact of elevated market volatility, and the requirement to trim positions by investors.

Powell said the tariff increases were larger than expected and would result in higher inflation and slower growth. He noted that tariffs could result in a more persistent rise in inflation and the Fed is obligated to keep inflation expectations anchored. Powell said the central bank was well-positioned to wait, and that it is very difficult to assess the economic impact, until there is greater clarity on the details.

Large market moves made the US labour report less of a focus than normal. US payrolls rose by 228k in February, above the 151k consensus estimate, though there were downward revisions of 48k to previous months. The unemployment rate increased to 4.2%, from 4.1% in February. Hourly earnings met consensus estimates, increasing 0.3% in the month which saw the annual rate dip to 3.8%.

There was an initial sharp move lower in US treasury yields following the news about China's retaliation. This saw 2-year yields drop nearly 20bp, to a session low of 3.46%, before fully retracing the move after Powell's comments didn't imply a near term pivot to easier monetary policy. 10-year yields broke below 4.0% in Asia and traded as low as 3.86% but ended the session little changed at 4.01%.

The US dollar made strong gains against G10 currencies. The defensive properties of the yen and Swiss franc meant they declined the least. On the other end of the spectrum, the AUD, NZD and Scandies saw outsized falls given their typical sensitivity to global growth. The Australasian currencies were already weak in the local session on Friday. By the New York market close, AUD/USD had fallen 4.7% and NZD/USD 3.7% from 7am NZT.

Having traded above 0.5800 on Friday, NZD/USD traded to a session low down towards 0.5550 before recovering to 0.5600. To put the fall in context, it is the sixth largest daily fall in the past twenty-five years. NZD/AUD gained and traded above 0.9250, the highest level since September. Otherwise, the NZD was a lot weaker on the other major crosses. NZD/EUR fell towards 0.5100, a level only seen during the pandemic in the past 15 years. NZD/GBP and NZD/JPY reached multi-year lows.

Amid the volatility, the Chinese authorities have continued to support the yuan and have kept the fix broadly unchanged suggesting a desire to maintain currency stability. FX markets will be closely watching for any change in policy from the Peoples Bank of China, which could damage investor confidence and worsen trade negotiations, as well as weigh on other CNY sensitive currencies, particularly in the Asia Pacific.

There was a significant repricing across NZ fixed income in the local session on Friday reflecting global risk off sentiment. Swap rates moved sharply lower, and the curve steepened. 2-year swaps broke below the bottom of the

range at 3.30% and extended lower, ultimately rallying 13bp on the day and closing at 3.19%, a new low for the cycle. The market is pricing the terminal OCR around 2.85%.

Government bonds outperformed swaps at the margin. Of note, the 10y/30y NZGB curve continued to steepen to fresh highs with the ultras lagging in the rally. Australian 10-year government bond futures are little changed since the local close on Friday having rebounded from the yield lows, suggesting limited directional bias, for NZ yields on the open.

It is a quiet economic calendar start to the week with no domestic and only second-tier international data. In any case, economic data will only provide the base case to

overlay the impact of the trade war. The RBNZ Monetary Policy Review is the key NZ event in the week ahead. The Quarterly Survey of Business Opinion and the manufacturing PMI are also scheduled. The main release on the international calendar is US CPI data for March.

stuart.ritson@bnz.co.nz

Coming Up

		Period	Cons.	Prev.	NZT
JN	Full-Time Pay (y/y%)	Jan	2.9	2.8	12:30
GE	Industrial Production (m/m%)	Jan	1.5	-2.4	20:00

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	0.5596	-3.4	0.5552	0.5731	CHF	0.8608	+0.2	S&P 500	5,074	-6.0	-1.4	Oil (Brent)	66.06	-5.8
AUD	0.6043	-4.6	0.5987	0.6253	SEK	10.005	+2.4	Dow	38,315	-5.5	-0.7	Oil (WTI)	61.99	-6.9
EUR	1.0964	-0.9	1.0925	1.1089	NOK	10.762	+4.2	Nasdaq	15,588	-5.8	-2.9	Gold	3012.0	-2.0
GBP	1.2894	-1.6	1.2857	1.3100	HKD	7.775	-0.0	Stoxx 50	4,878	-4.6	-3.8	HRC steel	932.0	+2.1
JPY	146.92	+0.6	144.56	147.43	CNY	7.282	+0.2	FTSE	8,055	-5.0	1.0	CRB	288.5	-5.0
CAD	1.4227	+0.9			SGD	1.347	+1.0	DAX	20,642	-5.0	12.2	Wheat Chic.	542.8	-1.3
NZD/AUD	0.9260	+1.2			IDR	16,653	-0.6	CAC 40	7,275	-4.3	-10.8	Sugar	18.84	-1.4
NZD/EUR	0.5104	-2.7			THB	34.42	+0.6	Nikkei	33,781	-2.8	-13.4	Cotton	63.36	-2.2
NZD/GBP	0.4340	-1.8			KRW	1,461	+0.7	Shanghai	3,342	-0.2	8.9	Coffee	365.7	-5.1
NZD/JPY	82.21	-2.7			TWD	32.97	-0.8	ASX 200	7,668	-2.4	-1.4	WM powder	4010	+0.1
NZD/CAD	0.7960	-2.5			PHP	56.82	-0.5	NZX 50	12,225	-0.9	1.8	Australian Futures		
NZ TWI	67.03	-2.3						VIX Index	45.31	+50.9	+177.1	3 year bond	96.60	0.14
Interest Rates												10 year bond	95.82	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	3.44	3.51	USD	3.99	-0.03	15-Apr-27	3.32	-0.14	BKBM 1-mth	3.65	-0.02	
AUD	4.10	4.11	3.29	4.05	AUD	4.22	-0.04	15-May-28	3.48	-0.14	BKBM 3-mth	3.54	-0.04	
NZD	3.75	3.54	3.19	3.92	NZD	4.34	-0.09	20-Apr-29	3.63	-0.13	1 year	3.18	-0.12	
EUR	2.50	2.35	2.04	2.52	GER	2.58	-0.07	15-May-30	3.78	-0.13	2 year	3.19	-0.13	
GBP	4.50	4.69	3.81	3.91	GBP	4.45	-0.07	15-May-31	3.95	-0.12	3 year	3.27	-0.12	
JPY	0.48	-0.03	0.65	1.01	JPY	1.22	-0.16	15-May-32	4.09	-0.11	5 year	3.47	-0.11	
CAD	2.75	4.97	2.20	2.62	CAD	2.88	-0.05	14-Apr-33	4.17	-0.11	7 year	3.68	-0.08	
								15-May-34	4.25	-0.10	10 year	3.92	-0.06	
								15-May-35	4.34	-0.09	15 year	4.17	-0.05	
								15-May-36	4.44	-0.08				
								15-May-37	4.56	-0.08	NZ Inflation-Indexed Bonds			
								15-May-41	4.80	-0.05	Sep-30	2.00	-0.08	
								15-May-51	4.98	-0.04	Sep-35	2.55	-0.03	
								15-May-54	5.01	-0.04	Sep-40	2.86	-0.00	
* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer														
Rates at NY close														
Source: Bloomberg														

NZD exchange rates

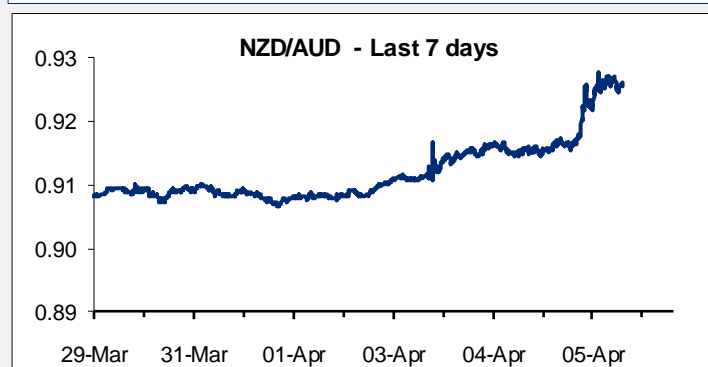
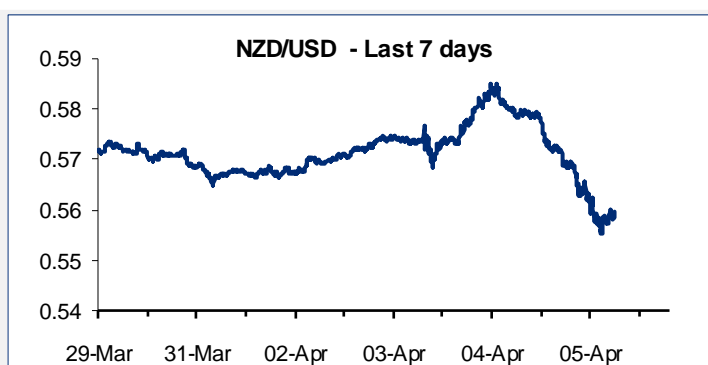
5/04/2025	NY close	Prev. NY close
USD	0.5596	0.5794
GBP	0.4340	0.4423
AUD	0.9260	0.9155
EUR	0.5104	0.5242
JPY	82.21	84.63
CAD	0.7960	0.8168
CHF	0.4817	0.4978
DKK	3.8110	3.9118
FJD	1.2948	1.3409
HKD	4.3507	4.5067
INR	47.70	49.50
NOK	6.0226	5.9820
PKR	156.92	162.56
PHP	31.80	33.08
PGK	2.2888	2.3534
SEK	5.5987	5.6606
SGD	0.7539	0.7729
CNY	4.0749	4.2109
THB	19.14	19.85
TOP	1.3349	1.3756
VUV	68.83	71.71
WST	1.5580	1.6087
XPF	61.47	63.34
ZAR	10.7089	10.8500

NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	4.28	4.54
3 Months	13.03	13.58
6 Months	25.28	26.29
9 Months	33.65	36.95
1 Year	39.40	44.46

NZD/AUD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	4.93	5.61
3 Months	14.48	15.84
6 Months	25.79	28.82
9 Months	32.72	40.06
1 Year	36.60	48.15



Contact Details

BNZ Research**Stephen Toplis**

Head of Research
+64 4 474 6905

Doug Steel

Senior Economist
+64 4 474 6923

Jason Wong

Senior Markets Strategist
+64 4 924 7652

Stuart Ritson

Senior Interest Rate Strategist
+64 9 9248601

Mike Jones

BNZ Chief Economist
+64 9-956 0795

Main Offices**Wellington**

Level 4, Spark Central
42-52 Willis Street
Private Bag 39806
Wellington Mail Centre
Lower Hutt 5045
New Zealand
Toll Free: 0800 283 269

Auckland

80 Queen Street
Private Bag 92208
Auckland 1142
New Zealand
Toll Free: 0800 283 269

Christchurch

111 Cashel Street
Christchurch 8011
New Zealand
Toll Free: 0800 854 854

This document has been produced by Bank of New Zealand (BNZ). BNZ is a registered bank in New Zealand and is only authorised to offer products and services to customers in New Zealand.

Analyst Disclaimer: The Information accurately reflects the personal views of the author(s) about the securities, issuers and other subject matters discussed, and is based upon sources reasonably believed to be reliable and accurate. The views of the author(s) do not necessarily reflect the views of the NAB Group. No part of the compensation of the author(s) was, is, or will be, directly or indirectly, related to any specific recommendations or views expressed.

BNZ maintains an effective information barrier between the research analysts and its private side operations. Private side functions are physically segregated from the research analysts and have no control over their remuneration or budget. The research functions do not report directly or indirectly to any private side function. The Research analyst might have received help from the issuer subject in the research report.

New Zealand: The information in this publication is provided for general information purposes only, and is a summary based on selective information which may not be complete for your purposes. This publication does not constitute any advice or recommendation with respect to any matter discussed in it, and its contents should not be relied on or used as a basis for entering into any products described in it. Bank of New Zealand recommends recipients seek independent advice prior to acting in relation to any of the matters discussed in this publication.

Any statements as to past performance do not represent future performance, and no statements as to future matters are guaranteed to be accurate or reliable.

Neither Bank of New Zealand nor any person involved in this publication accepts any liability for any loss or damage whatsoever which may directly or indirectly result from any advice, opinion, information, representation or omission, whether negligent or otherwise, contained in this publication.

USA: If this document is distributed in the United States, such distribution is by nabSecurities, LLC. This document is not intended as an offer or solicitation for the purchase or sale of any securities, financial instrument or product or to provide financial services. It is not the intention of nabSecurities to create legal relations on the basis of information provided herein.