

# Research Markets Today

7 May 2025

## Events Round-Up

CH: Caixin PMI services, Apr: 50.7 vs. 51.9 prev.

US: Trade balance (\$b), Mar: -141 vs. -137 exp.

## Good Morning

US equities are lower, US Treasury yields are lower, and the USD is broadly weaker, with the market remaining fixated on tariffs and the impact for the US economy. The NZD is trading with a 0.60 handle this morning.

President Trump met with Canadian PM Carney and when questioned by a reporter whether there was anything the Canadian leader could say to convince him to lift the tariffs on Canada he replied “No...there’s no reason for us to be subsidising Canada”. However, Trump also said the USMCA is “very effective” and he doesn’t know if it’s necessary to renegotiate the trade deal anymore, indicating that he would pursue just “subtle changes”.

In terms of trade negotiations with other countries Trump indicated that he would prescribe “very fair” tariff levels and trade concessions, and he would move away from back-and-forth negotiations – effectively a take it or leave it approach.

Trump also said he will be making a “very big announcement” before he departs on his trip to the Middle East on Monday and he hinted that it wasn’t necessarily on trade. The announcement was said to be “positive” and “as big as it gets”.

US equities have fallen for a second day, not helped by some companies downgrading earnings owing to the impact of tariffs and other companies choosing to suspend guidance, given extreme levels of uncertainty. The S&P500 is currently down ½% with an hour of trading to go.

US Treasury yields are lower across the curve against a modest lift in yields across Europe. The market was aided by good support for the \$42b sale of 10-year notes. The 10-year rate is currently down 3bps to 4.31%. The 2-year rate is down 5bps to 3.79%. In economic news, the US trade deficit surged to a record \$140.5b in March, as forewarned by the advance report of the goods balance released last month. This reflected the front-loading of imports ahead of new tariffs, with shipping data suggesting a subsequent slump in imports.

The USD has been broadly weaker overnight and the DXY index is down 0.6% for the day. JPY has been one of the strongest performers again and has now fully reversed the move seen in the aftermath of last week’s dovish BoJ update. USD/JPY is trading around 142.50.

China returned from holiday and the PBoC kept the CNY reference rate relatively steady, pushing back against the strong rally in CNH, which had strengthened on the back of much stronger Asian currencies like the Taiwan dollar and Hong Kong dollar. On the latter the HKMA has been buying USD in record sums to prevent the HKD from breaching the strong edge of the USD peg.

The NZD has recovered to 0.60 after trading a high just under 0.6010 overnight. The AUD is on the verge of cracking 0.65. Both currencies have been supported this week by the backdrop of stronger Asian currencies. NZD/AUD continues to range trade around 0.9250.

The NZD shows small further gains against GBP and EUR. In Germany, Merz secured a parliamentary vote to become Chancellor, but only on a second attempt, after he surprisingly fell short of a majority in the first secret ballot. This has damaged his reputation could be seen as a potential warning sign that he shouldn’t take support of his coalition partner for granted to pass legislation, including his plans for much easier fiscal policy ahead.

Yesterday, China’s Caixin PMI services index fell just over a point to 50.7 in April, a greater fall than the official version released last week but ending up at a similar level. Of note, the future activity index fell to a record low of the 20-year survey excluding the COVID period, with respondents citing the disruptions from US tariffs impacting goods trade. This afternoon, China’s central bank and financial regulators will hold a press briefing to discuss “a financial policy package to stabilise the market and expectations”.

The overnight GDT dairy auction showed a strong 4.6% lift in the price index, the strongest gain this year, supported by a 6.2% lift in whole milk powder, while skim milk powder rose just 0.5%. Cheddar (+12%) and butter (+3.8%) also showed strong gains. The weaker USD helped inflate prices, so the NZD gains aren’t as large, but dairy prices still look very strong against the backdrop of soft pricing for industrial commodities and fears of a global slowdown.

Oil prices have bounced back 3%, seeing Brent crude back over USD62 after a report that US shale output is forecast to drop in coming months, assuaging fears of rising global supply from OPEC+.

Global forces drove up domestic rates yesterday. The NZGB curve was steeper out to 10-years and flatter further out. The 10-year rate rose 8bps to 4.57% in another quiet trading session. In the swaps market, the curve was steeper, with the 2-year rate up 4bps to 3.13% and the 10-year rate up 7bps to 3.78%.

In the day ahead the domestic focus will be on the NZ labour market surveys, where the consensus sees soft employment in Q1 driving up the unemployment rate to an eight-year high 5.3%, after breaching the 5.2% high of the COVID19 pandemic. The labour cost index should see wage inflation fall to a fresh multi-year low. The RBNZ's Financial Stability report is released ahead of those surveys.

Tomorrow morning the Fed will be giving a monetary policy update. The market sees no chance of a rate cut, in

the face of higher inflation pressure. But the central bank will be alert to the rising chance of economic recession. A key message is likely to be weighing up those offsetting inflation and growth forces and sitting on the sidelines for now, much to the chagrin of President Trump.

[jason.k.wong@bnz.co.nz](mailto:jason.k.wong@bnz.co.nz)

## Coming Up

		Period	Cons.	Prev.	NZT
NZ	RBNZ publishes Financial Stability Report				09:00
NZ	Unemployment rate (%)	Q1	5.3	5.1	10:45
NZ	Employment (q/q%)	Q1	0.1	-0.1	10:45
NZ	LCI pvt wages x overtime (q/q%)	Q1	0.5	0.6	10:45
NZ	Avg hrly earnings (q/q%)	Q1		1.3	10:45
GE	Factory orders (m/m%)	Mar	1.3	0.0	18:00
US	Fed Funds rate (% upper bd)	May	4.5	4.5	06:00

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	0.6008	+0.7	0.5964	0.6009	CHF	0.8218	-0.0	S&P 500	5,623	-0.5	8.5	Oil (Brent)	62.09	+3.1		
AUD	0.6497	+0.4	0.6438	0.6498	SEK	9.564	-1.0	Dow	40,933	-0.7	5.4	Oil (WTI)	59.03	+3.3		
EUR	1.1368	+0.5	1.1306	1.1370	NOK	10.268	-1.1	Nasdaq	17,753	-0.5	8.6	Gold	3425.0	+3.1		
GBP	1.3375	+0.6	1.3302	1.3402	HKD	7.751	+0.0	Stoxx 50	5,263	-0.4	6.2	HRC steel	872.0	-0.3		
JPY	142.45	-0.9	142.36	143.73	CNY	7.218	-0.7	FTSE	8,597	+0.0	4.7	CRB	288.4	-0.7		
CAD	1.3774	-0.4			SGD	1.288	-0.1	DAX	23,250	-0.4	27.9	Wheat Chic.	535.0	+0.7		
NZD/AUD	0.9247	+0.2			IDR	16,449	-0.0	CAC 40	7,697	-0.4	-3.7	Sugar	17.44	-0.2		
NZD/EUR	0.5285	+0.2			THB	32.64	-0.8	Nikkei	36,831	+1.0	-5.2	Cotton	71.94	+4.5		
NZD/GBP	0.4492	+0.1			KRW	1,379	+0.1	Shanghai	3,316	+1.1	5.3	Coffee	389.9	+0.4		
NZD/JPY	85.58	-0.2			TWD	30.16	+0.7	ASX 200	8,151	-0.1	4.6	WM powder	4260	+0.5		
NZD/CAD	0.8275	+0.3			PHP	55.62	-0.3	NZX 50	12,421	-0.0	5.3	Australian Futures				
NZ TWI	69.54	+0.3						VIX Index	24.57	+3.9	+82.1	3 year bond	96.58	-0.04		
Interest Rates											7 year bond					
											10 year bond					
		Rates		Swap Yields		Benchmark 10 Yr Bonds		NZ Government Bonds				NZ BKBM and Swap Yields				
		Cash	3Mth	2 Yr	10 Yr					Last	Chg			Last	Chg	
USD	4.50	4.85	3.55	3.77	USD	4.31	-0.03	15-Apr-27		3.30	0.02	BKBM 1-mth	3.55	-0.01		
AUD	4.10	3.85	3.27	4.19	AUD	4.33	0.06	15-May-28		3.51	0.03	BKBM 3-mth	3.40	0.00		
NZD	3.50	3.40	3.13	4.06	NZD	4.57	0.08	20-Apr-29		3.69	0.03	1 year	3.11	0.03		
EUR	2.25	2.15	1.93	2.50	GER	2.54	0.02	15-May-30		3.89	0.04	2 year	3.13	0.04		
GBP	4.50	4.60	3.61	3.97	GBP	4.51	0.01	15-May-31		4.09	0.06	3 year	3.25	0.04		
JPY	0.48	-0.03	0.61	1.03	JPY	1.26	0.00	15-May-32		4.27	0.07	5 year	3.52	0.06		
CAD	2.75	4.97	2.36	2.86	CAD	3.16	-0.03	14-Apr-33		4.37	0.08	7 year	3.78	0.07		
									15-May-34		4.47	0.08	10 year	4.06	0.07	
									15-May-35		4.57	0.08	15 year	4.33	0.07	
									15-May-36		4.67	0.07	NZ Inflation-Indexed Bonds			
									15-May-37		4.78	0.07	Sep-30	2.12	0.05	
									15-May-41		5.02	0.06	Sep-35	2.76	0.04	
									15-May-51		5.21	0.05	Sep-40	3.09	0.04	
									15-May-54		5.24	0.05				
* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer																
Rates are as of: NZT 06:56																
Source: Bloomberg																
							Policy Meeting Run									
							NZD AUD USD									
							1st 3.24 3.82 4.33									
							2nd 3.06 3.66 4.25									
							3rd 2.89 3.42 4.08									
							4th 2.77 3.26 3.88									
							5th 2.75 3.07 3.71									

\* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer

Rates are as of: NZT 06:56

Source: Bloomberg

**NZD exchange rates****7/05/2025 6:56 am Prev. NY close**

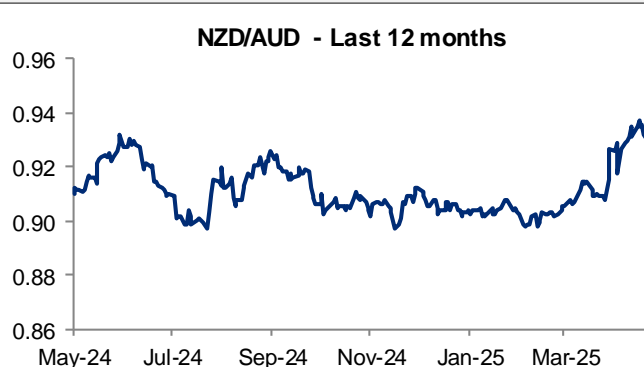
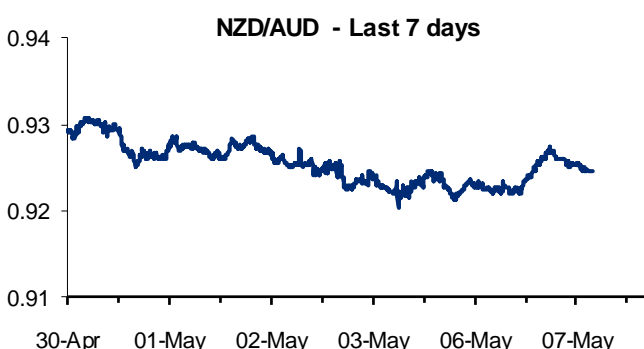
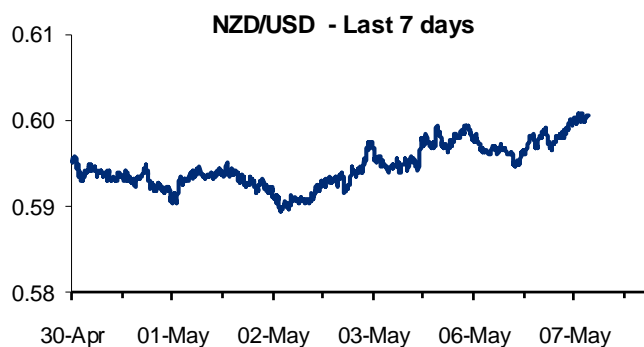
USD	0.6008	0.5967
GBP	0.4492	0.4488
AUD	0.9247	0.9225
EUR	0.5285	0.5274
JPY	85.58	85.75
CAD	0.8275	0.8249
CHF	0.4937	0.4906
DKK	3.9431	3.9354
FJD	1.3584	1.3555
HKD	4.6570	4.6245
INR	50.73	50.27
NOK	6.1688	6.1972
PKR	168.98	167.66
PHP	33.41	33.28
PGK	2.4473	2.4355
SEK	5.7459	5.7653
SGD	0.7735	0.7693
CNY	4.3369	4.3388
THB	19.62	19.73
TOP	1.3979	1.3938
VUV	72.59	72.23
WST	1.6540	1.6640
XPF	63.04	62.67
ZAR	10.9337	10.9019

**NZD/USD Forward Points**

	<b>BNZ buys NZD</b>	<b>BNZ sells NZD</b>
1 Month	5.55	5.81
3 Months	17.52	18.07
6 Months	35.65	36.90
9 Months	49.30	51.65
1 Year	57.75	61.45

**NZD/AUD Forward Points**

	<b>BNZ buys NZD</b>	<b>BNZ sells NZD</b>
1 Month	4.94	5.57
3 Months	15.37	16.65
6 Months	28.96	32.02
9 Months	37.49	43.21
1 Year	43.15	52.49



## Contact Details

### BNZ Research

**Stephen Toplis**  
Head of Research

**Doug Steel**  
Senior Economist

**Jason Wong**  
Senior Markets Strategist

**Stuart Ritson**  
Senior Interest Rate Strategist

**Matt Brunt**  
Economist

**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

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