

Research Markets Today

8 May 2025

Events Round-Up

NZ: Unemployment rate (%), Q1: 5.1 vs. 5.3 exp.
 NZ: Employment (q/q%), Q1: 0.1 vs. 0.1 exp.
 NZ: LCI pvt wages x overtime (q/q%), Q1: 0.4 vs. 0.5 exp.
 NZ: Avg hrly earnings (q/q%), Q1: 0.2 vs. 1.3 prev.
 GE: Factory orders (m/m%), Mar: 3.6 vs. 1.3 exp.
 US: Fed Funds rate (% upper bd), May: 4.5 vs. 4.5 exp.

Good morning

Further signs of a de-escalation in the US China trade war provided support to risk sensitive assets ahead of the Federal Reserve's interest rate decision. There was confirmation of trade talks between the US and China. US Treasury Secretary Scott Bessent and US Trade Representative Jamieson Greer will meet with Chinese officials this weekend in Switzerland. In addition, Chinese officials outlined a range of measures aimed at supporting the economy.

US equity markets advanced ahead of the FOMC. US treasuries yields were little changed, and the US dollar was marginally stronger on the major cross rates with the NZD and AUD relatively weak within G10 currencies.

The US Federal Reserve left rates on hold for a third straight meeting, which was unanimously expected by economists, as FOMC officials continue to wait for more clarity on the outlook for the labour market and inflation. In the accompanying statement, the Fed noted that uncertainty about the outlook has 'increased further' and indicated that the risks of higher unemployment and inflation have risen.

The Fed said it would continue to reduce its balance sheet at the reduced pace announced in March. The monthly cap on its treasury holdings that can mature without being reinvested was maintained at US\$5 billion.

In the press conference, Chair Powell noted that near term measures of inflation expectations have moved up, but most measures of longer-term expectations remain consistent with its 2% inflation target. He also outlined that the central bank is well placed to wait for greater clarity before considering any adjustments to its policy stance. Powell reiterated that the Fed doesn't need to be in a hurry to adjust rates.

The immediate market reaction was limited. Futures pricing is indicating around a 25% chance of a 25bp cut at the June meeting, little changed from ahead of the release, and a total of ~80bp of easing by the end of the year. US treasury yields dipped to the session lows and the US dollar was marginally weaker, albeit within the confines of the dollar index's narrow overnight range. The S&P slipped into negative territory.

China's central bank (PBOC) and financial regulators held a briefing to outline policies aimed at supporting the economy given the increasing headwinds from US trade policy. The PBOC announced a 0.5% decrease in the reserve ratio requirement, a 10bp cut to its policy rate to 1.40% and said that it will keep FX, bond and stock markets stable.

PBOC Governor Pan said the latest measures were due to the uncertain outlook for the global economy amid economic fragmentation and trade tensions. The actions demonstrated a willingness by Chinese policymakers to provide additional support to the economy. The Hang Seng China Enterprises Index gapped more than 2% higher at the open but gains faded through the session. The market focus will now turn to the amount of progress in the upcoming trade talks.

The NZ unemployment rate remained steady at 5.1% in Q1, which was below expectations for a rise to 5.3%, due to a lower participation rate. Other details within the labour market report were soft. Full time employment and hours worked have fallen for five consecutive quarters. The weak labour market is contributing to lower wage growth which fell to 2.6% y/y in Q1 from 3.0% in Q4.

The labour market data contributed to lower yields for NZ fixed income in the local session yesterday. The swap curve moved 4bp lower in a largely parallel curve shift. 2-year yields closed at 3.09%, in a continued consolidation near the cycle lows, after the decline at the beginning of April.

There was a marginal outperformance for NZGBs which fell 5bp across the curve. 10-year government bonds closed at 4.55%. Australian 10-year bond futures are ~4bp lower in yield terms since the local close yesterday suggesting a downward bias for NZ yields on the open. The weekly government bond tender is scheduled this afternoon. NZ Debt Management will offer the Apr-2029 (\$225m), May-

2036 (\$175m) and May-2051 (\$50m) maturities. The 2051 line is being tendered for the first time since February.

There is no domestic or regional data of note today. The Bank of England is widely expected to reduce its policy rate by 25bp to 4.50% with a subset on the committee expected to prefer a larger 50bp cut. The Bank is also likely to reduce its growth and inflation forecasts. The market is fully discounting a 25bp cut and implies a total 100bp of easing by the end of the year. In addition, investors will look for any updates on the Bank's quantitative tightening program.

stuart.ritson@bnz.co.nz

Coming Up

		Period	Cons.	Prev.	NZT
GE	Industrial Production SA (m/m%)	Mar	1	-1.3	18:00
UK	Bank of England Bank Rate	May	4.25	4.5	23:00
US	Nonfarm Productivity	1Q P	-0.8	1.5	00:30
US	Initial Jobless Claims	3 May	230	241	00:30

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	0.5962	-0.8	0.5957	0.6005	CHF	0.8211	-0.1	S&P 500	5,609	+0.0	8.1	Oil (Brent)	61.14	-1.6			
AUD	0.6449	-0.7	0.6443	0.6485	SEK	9.626	+0.6	Dow	40,990	+0.4	5.4	Oil (WTI)	58.10	-1.7			
EUR	1.1335	-0.3	1.1321	1.1374	NOK	10.323	+0.4	Nasdaq	17,584	-0.6	7.7	Gold	3396.6	-0.8			
GBP	1.3313	-0.4	1.3301	1.3377	HKD	7.761	+0.1	Stoxx 50	5,230	-0.6	4.3	HRC steel	890.0	+2.1			
JPY	143.49	+0.7	142.87	143.78	CNY	7.225	+0.1	FTSE	8,559	-0.4	3.0	CRB	292.2	+1.3			
CAD	1.3809	+0.2			SGD	1.293	+0.3	DAX	23,116	-0.6	25.4	Wheat Chic.	533.8	-0.4			
NZD/AUD	0.9245	-0.1			IDR	16,536	+0.5	CAC 40	7,627	-0.9	-5.6	Sugar	17.13	-1.8			
NZD/EUR	0.5260	-0.4			THB	32.81	+0.5	Nikkei	36,780	-0.1	-3.7	Cotton	70.47	+2.3			
NZD/GBP	0.4478	-0.4			KRW	1,391	+0.9	Shanghai	3,343	+0.8	6.8	Coffee	384.1	-1.2			
NZD/JPY	85.55	-0.1			TWD	30.29	+0.4	ASX 200	8,178	+0.3	4.8	WM powder	4405	+3.4			
NZD/CAD	0.8233	-0.5			PHP	55.41	-0.4	NZX 50	12,497	+0.6	6.1	Australian Futures					
NZ TWI	69.28	-0.4						VIX Index	24.56	-0.8	+85.6	3 year bond	96.64	0.06			
Interest Rates															10 year bond	95.79	0.09
	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	3.56	3.74	USD	4.28	-0.01	15-Apr-27	3.24	-0.06	BKBM 1-mth	3.53	-0.02				
AUD	4.10	3.83	3.23	4.10	AUD	4.28	-0.06	15-May-28	3.45	-0.06	BKBM 3-mth	3.39	-0.00				
NZD	3.50	3.39	3.09	4.01	NZD	4.52	-0.05	20-Apr-29	3.63	-0.06	1 year	3.09	-0.02				
EUR	2.25	2.14	1.91	2.43	GER	2.48	-0.07	15-May-30	3.83	-0.06	2 year	3.09	-0.04				
GBP	4.50	4.60	3.61	3.93	GBP	4.46	-0.05	15-May-31	4.03	-0.06	3 year	3.21	-0.04				
JPY	0.48	-0.03	0.62	1.06	JPY	1.31	0.04	15-May-32	4.21	-0.06	5 year	3.48	-0.04				
CAD	2.75	4.97	2.35	2.81	CAD	3.11	-0.04	14-Apr-33	4.32	-0.05	7 year	3.73	-0.05				
								15-May-34	4.42	-0.05	10 year	4.01	-0.05				
								15-May-35	4.52	-0.05	15 year	4.27	-0.05				
								15-May-36	4.62	-0.05	NZ Inflation-Indexed Bonds						
								15-May-37	4.72	-0.05	Sep-30	2.09	-0.03				
								15-May-41	4.97	-0.05	Sep-35	2.73	-0.03				
								15-May-51	5.15	-0.07	Sep-40	3.06	-0.03				
								15-May-54	5.17	-0.06							
* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer																	
Rates are as of: NZT 06:50																	
Source: Bloomberg																	

NZD exchange rates

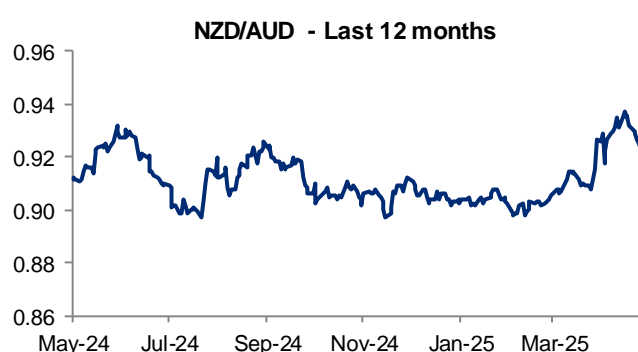
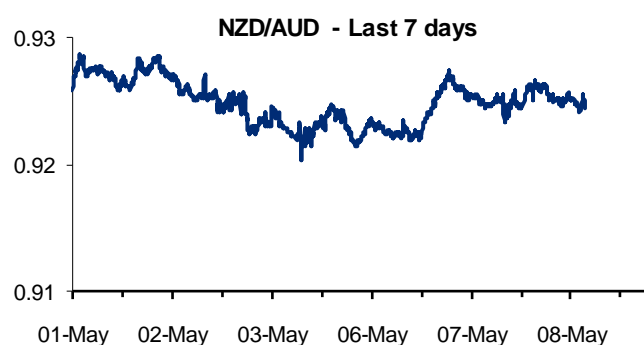
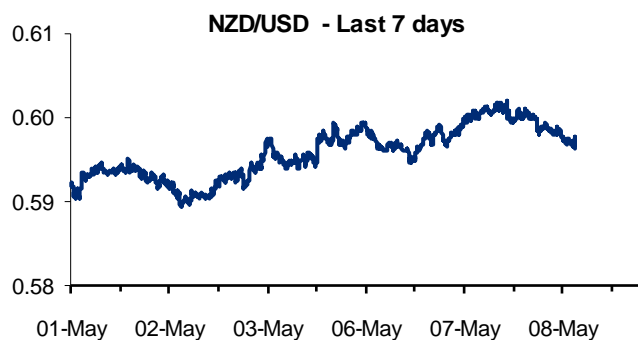
8/05/2025	6:50 am	Prev. NY close
USD	0.5962	0.6008
GBP	0.4478	0.4494
AUD	0.9245	0.9250
EUR	0.5260	0.5284
JPY	85.55	85.58
CAD	0.8233	0.8278
CHF	0.4895	0.4939
DKK	3.9239	3.9426
FJD	1.3492	1.3605
HKD	4.6272	4.6580
INR	50.58	50.73
NOK	6.1545	6.1804
PKR	167.81	168.98
PHP	33.03	33.41
PGK	2.4355	2.4473
SEK	5.7391	5.7519
SGD	0.7706	0.7740
CNY	4.3077	4.3372
THB	19.50	19.62
TOP	1.3930	1.3979
VUV	72.10	72.59
WST	1.6421	1.6539
XPF	62.56	63.05
ZAR	10.8644	10.9425

NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	5.35	5.71
3 Months	18.10	18.70
6 Months	36.50	37.50
9 Months	50.42	52.93
1 Year	60.30	63.30

NZD/AUD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	4.69	5.52
3 Months	15.93	17.32
6 Months	28.63	32.60
9 Months	37.02	43.97
1 Year	42.29	53.91



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.