

# Research Markets Today

9 May 2025

# **Events Round-Up**

GE: Industrial production (m/m%), Mar: 3.0 vs. 1.0 exp.

UK: Bank of England Bank Rate (%), May: 4.25 vs. 4.25 exp.

US: Nonfarm productivity (ann'lsd q/q%), Q1: -0.8 vs. -0.8 exp

US: Initial jobless claims, wk to 3 May: 228 vs. 230 exp.

### **Good Morning**

Risk sentiment is higher on trade war de-escalation with a US and UK trade "framework" and President Trump providing positive signals on this weekend's US-China trade talks and telling everyone to buy stocks. US equities are up over 1% and Treasury yields are up 10-13bps. Hopes for trade deals have supported the USD across the board and the NZD has fallen to 0.59. GBP has fallen less after the BoE delivered a hawkish cut.

As floated during the NZ trading day yesterday, President Trump announced a trade framework with the UK, the first so-called trade deal in a long list of countries that are lined up. However, there are many unresolved issues, and final details would be negotiated over coming weeks. The deal includes the 10% baseline tariff on most goods remaining while tariffs on steel and aluminium will fall from 25% to zero. The UK will be able to export 100,000 cars a year to the US at a 10% tariff (down from 27.5%). There will be "reciprocal" market access on beef. The UK will remove the tariff on US ethanol and committed to import more US goods, including Boeing planes.

President Trump said that the 10% baseline tariff is probably the lowest end for a tariff. This is consistent with the market consensus that after all the deals are done, most countries will still face at least a 10% baseline tariff, even for the good guys like countries that have a trade deficit with the US, making higher tariffs a permanent feature of the landscape.

President Trump made positive comments regarding this weekend's US-China trade talks in Switzerland between Bessent/Greer from the US side and Vice Premier He Lifeng on China's side. He said, "I think it's going to be substantive" and he said he would consider lowering the 145% tariff on China, "...right now you can't get any higher. It's at 145% so we know it's coming down. I think we're going to have a very good relationship". Trump talked up

trade deals and tax cuts and said, "you better go out and buy stocks now".

Investors got the memo and drove up US equities after that comment and the S&P500 is up 1.3% with an hour of trading left in the session, a solid performance against the backdrop of higher US Treasury yields. The 2-year rate is up 12bps to 3.89% and the 10-year rate is up 10bps to 4.37%. In the aftermath of the Fed's policy update yesterday – where it left policy unchanged and Chair Powell signalled patience in deciding when to cut rates again – the market prices little chance of a cut at the next meeting in June and the first full cut is not priced until September.

European equities showed a modest gain, with the Euro Stoxx 600 index up 0.4% while the UK FTSE100 closed down 0.3%, so not showing any love from the so-called trade deal, although a more hawkish than expected policy update by the Bank of England probably didn't help.

The BoE cut its policy rate by 25bps to 4.25%, as expected, but it was a 5-2-2 split decision, with 2 dissents to leave rates unchanged and 2 voting for a larger 50bps cut. Guidance was maintained of "a gradual and careful approach to the further withdrawal of monetary policy restraint remains appropriate".

That two members wanted unchanged rates made this a more hawkish decision than expected and the market pared back pricing for further cuts, with just over two full cuts now priced over the remainder of the year (56bps), or about 14bps less compared to yesterday. Pill and Mann preferred to hold rates due to the recent easing in financial conditions and concerns about inflationary persistence due to structural supply problems in the UK.

The combination of the trade deal and BoE decision supported GBP, but against the backdrop of a broadly stronger USD, with the DXY index up 1% for the day. GBP has fallen the least over the past 24 hours, down 0.5% to 1.3260. The NZD and AUD are down 0.9-1% over the past 24 hours. After lifting above 0.5970 yesterday afternoon after the US-UK trade deal was floated, the NZD has fallen to close to 0.59. The AUD has slipped below 0.64 and NZD/AUD has nudged down to 0.9225.

Against the backdrop of higher global rates and higher risk sentiment, JPY has been the worst performer, with

www.bnz.co.nz/research

Markets Today 9 May 2025

USD/JPY approaching 146 and NZD/JPY back over 86. NZD/EUR is up slightly to 0.5260.

Economic data releases didn't move the dial. US initial jobless claims fell 13k last week to 228k, confirming that the spike up the previous week was due to seasonal factors. The annualised 0.8% fall in US productivity in Q1 reflected more noise than signal, including the plunge in net exports in addition to the usual volatility in measurement, with the annual average figure of 2.2% more reflective of productivity gains.

Yesterday, NZ rates were lower across the curve, following global rates. Both NZGB and swap yields closed down 1-4bps. There was good support for the weekly bond tender, with bid-cover ratios of 3½-4 times and all bonds issued just below prevailing mids.

On the economic calendar today are releases on Japan wages, China trade and Canada's employment report, while China inflation data are published tomorrow.

jason.k.wong@bnz.co.nz

## **Coming Up**

		Period	Cons.	Prev.	NZT
JP	Schd. FT pay-same base (y/y%)	Mar	2.2	1.9	11:30
СН	Exports (USD, y/y%)	Apr	2.0	12.4	
СН	Imports (USD, y/y%)	Apr	-5.9	-4.3	
CA	Unemployment rate (%)	Apr	6.8	6.7	00:30
Satu	ırday				
СН	PPI (y/y%)	Apr	-2.8	-2.5	13:30
СН	CPI (y/y%)	Apr	-0.1	-0.1	13:30

Source: Bloomberg, BNZ

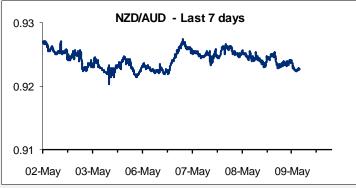
Currencies						Equities		Commodities						
FX Majors	Ind	licative o	vernight	ranges (*)	Other	FX		Major Indices		Price (Near futures, except CRB)				
	Last	% Day	Low	High		Last	% Day		Last	% Day	% Year		Last	Net Day
NZD	0.5903	-0.6	0.5901	0.5944	CHF	0.8309	+0.9	S&P 500	5,705	+1.3	10.0	Oil (Brent)	62.92	+2.9
AUD	0.6398	-0.4	0.6395	0.6433	SEK	9.727	+0.6	Dow	41,642	+1.3	6.6	Oil (WTI)	59.99	+3.3
EUR	1.1226	-0.7	1.1213	1.1320	NOK	10.434	+0.8	Nasdaq	18,055	+1.8	10.7	Gold	3311.5	-2.4
GBP	1.3253	-0.3	1.3243	1.3345	HKD	7.774	+0.2	Stoxx 50	5,289	+1.1	5.0	HRC steel	890.0	+0.0
JPY	145.85	+1.4	144.26	145.95	CNY	7.243	+0.2	FTSE	8,532	-0.3	2.1	CRB	289.8	-0.8
CAD	1.3928	+0.7			SGD	1.301	+0.5	DAX	23,353	+1.0	26.2	Wheat Chic.	529.3	-0.9
NZD/AUD	0.9226	-0.2			IDR	16,502	-0.2	CAC 40	7,694	+0.9	-5.4	Sugar	17.50	+2.2
NZD/EUR	0.5258	+0.1			THB	33.08	+0.6	Nikkei	36,929	+0.4	-3.0	Cotton	66.69	-1.0
NZD/GBP	0.4454	-0.3			KRW	1,404	+1.0	Shanghai	3,352	+0.3	6.3	Coffee	387.4	+0.8
NZD/JPY	86.10	+0.8			TWD	30.28	-0.0	ASX 200	8,192	+0.2	6.1	WM powder	4405	+0.0
NZD/CAD	0.8222	+0.0			PHP	55.62	+0.4	NZX 50	12,467	-0.2	6.1	Australian Fu	Australian Futures	
NZ TWI	68.99	-0.2						VIX Index	22.11	-6.1	+70.1	3 year bond	96.65	0.01
Interest I	Rates											10 year bond	95.71	-0.08
	Rates		Swap Yie	elds	Bench	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	3.67	3.84	USD	4.37	0.10	15-Apr-27		3.23	-0.01	BKBM 1-mth	3.53	0.00
AUD	4.10	3.82	3.31	4.17	AUD	4.24	-0.04	15-May-28		3.44	-0.01	BKBM 3-mth	3.38	-0.02
NZD	3.50	3.38	3.08	3.97	NZD	4.48	-0.03	20-Apr-29		3.61	-0.02	1 year	3.08	-0.01
EUR	2.25	2.15	1.96	2.50	GER	2.54	0.06	15-May-30		3.80	-0.03	2 year	3.08	-0.01
GBP	4.25	4.60	3.73	4.03	GBP	4.55	0.09	15-May-31		4.00	-0.03	3 year	3.19	-0.02
JPY	0.48	-0.03	0.64	1.11	JPY	1.34	0.03	15-May-32		4.18	-0.03	5 year	3.45	-0.03
CAD	2.75	4.97	2.43	2.92	CAD	3.21	0.11	14-Apr-33		4.28	-0.04	7 year	3.70	-0.03
								15-May-34		4.39	-0.04	10 year	3.97	-0.04
					Policy Me	eting Run		15-May-35		4.48	-0.03	15 year	4.23	-0.04
					NZD	AUD	USD	15-May-36		4.58	-0.04			
1st 3.24 3.82 4.33			15-May-37		4.70	-0.03	NZ Inflation-Indexed Bonds							
* These are indicative ranges from 5pm NZT; 2nd 3.06 3.67 4.28			15-May-41		4.94	-0.03	Sep-30	2.06	-0.03					
please confirm rates with your BNZ dealer 3rd 2.88 3.43 4.16			15-May-51		5.12	-0.02	Sep-35	2.69	-0.04					
Rates are as of: NZT 06:55 4th 2.76 3.29 3.98					15-May-54		5.15	-0.03	Sep-40	3.02	-0.04			
Source: Bloomberg 5th 2.72 3.06 3.83														

www.bnz.co.nz/research

Markets Today 9 May 2025

NZD exchange rates							
9/05/2025	6:55 am	Prev. NY close					
USD	0.5903	0.5940					
GBP	0.4454	0.4469					
AUD	0.9226	0.9247					
EUR	0.5258	0.5256					
JPY	86.10	85.44					
CAD	0.8222	0.8220					
CHF	0.4905	0.4893					
DKK	3.9230	3.9215					
FJD	1.3443	1.3522					
HKD	4.5888	4.6103					
INR	50.60	50.39					
NOK	6.1592	6.1484					
PKR	166.15	167.06					
PHP	32.83	32.91					
PGK	2.4114	2.4265					
SEK	5.7416	5.7423					
SGD	0.7680	0.7688					
CNY	4.2754	4.2931					
THB	19.38	19.43					
TOP	1.3789	1.3879					
VUV	71.39	71.73					
WST	1.6425	1.6464					
XPF	62.24	62.42					
ZAR	10.7510	10.8495					







# NZD/USD Forward Points

	<b>BNZ</b> buys NZD	BNZ sells NZD					
1 Month	5.49	5.71					
3 Months	17.85	18.45					
6 Months	37.01	38.19					
9 Months	52.74	54.88					
1 Year	63.69	67.44					

#### **NZD/AUD Forward Points**

	<b>BNZ</b> buys NZD	BNZ sells NZD
1 Month	4.83	5.42
3 Months	15.83	17.21
6 Months	30.46	33.60
9 Months	41.22	47.20
1 Year	48.54	59.20



www.bnz.co.nz/research Page 3

Markets Today 9 May 2025

# **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

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.

www.bnz.co.nz/research