

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'lisd 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

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

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Coming Up

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

Source: Bloomberg, BNZ

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NZD exchange rates

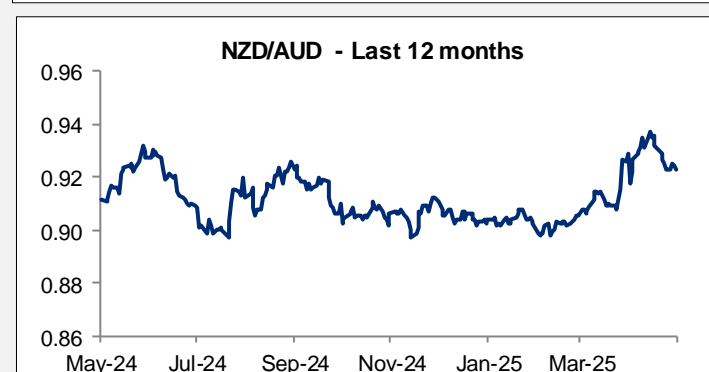
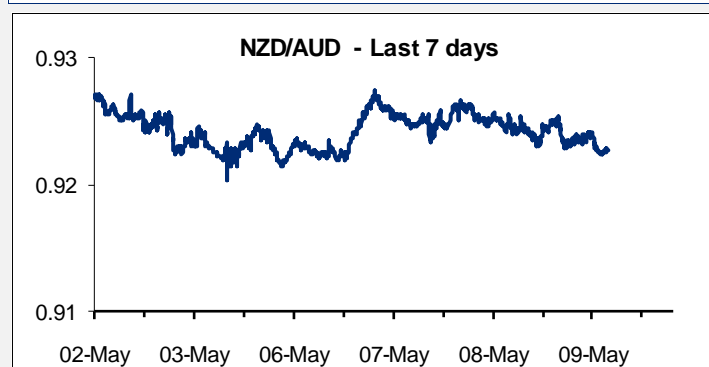
9/05/2025	6:55 am	Prev. NY close
USD	0.5903	0.5940
GBP	0.4454	0.4469
AUD	0.9226	0.9247
EUR	0.5258	0.5256
JPY	86.10	85.44
CAD	0.8222	0.8220
CHF	0.4905	0.4893
DKK	3.9230	3.9215
FJD	1.3443	1.3522
HKD	4.5888	4.6103
INR	50.60	50.39
NOK	6.1592	6.1484
PKR	166.15	167.06
PHP	32.83	32.91
PGK	2.4114	2.4265
SEK	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

	BNZ 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

	BNZ 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



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