

Research Markets Today

10 April 2025

Events Round-Up

NZ: RBNZ Official Cash Rate, Apr: 3.5 vs. 3.5 exp.

Good morning

The extreme volatility has continued across global financial markets. Equity indices, which had already rebounded from earlier losses, surged higher after President Trump announced a 90 day pause on the implementation of tariffs on non-retaliating countries. This covers the excess reciprocal excess tariffs, the 10% baseline will remain, and is effective immediately. China is an exception, and tariffs have been increased to 125%.

The announcement of the 90 day pause contributed to huge rebound in risk sensitive assets. The S&P is currently ~7% higher. The improved sentiment contributed to large gains in growth sensitives currencies like the AUD and NZD and while the yen and Swiss franc fell against the US dollar given their defensive properties.

NZD/USD had traded below 0.5500 in the local session yesterday, which was the lowest level in five years, before rebounding. The sharp move higher, aligned with the recovery in investor risk appetite, saw NZD/USD extend towards 0.5650 and AUD/USD also made large gains.

There have been large moves across global bond markets in the past 24 hours with yield curves initially steepening in a dramatic fashion led by US treasuries. At one point 10-year treasuries reached 4.51% in Asian trade, 20bp higher on the day, with position unwinding thought to be behind the large move. The selloff in treasuries spilled over to other government bond markets with sharply higher yields in the UK, Japan as well as NZ and Australia.

The US yield curve steepening and increasing volatility across asset markets raised questions if there was something structural breaking within the financial system. In the past moves of this magnitude have prompted the Federal Reserve to step in to restore market function.

Treasuries have remained volatile overnight, but 10-year yields have fallen back from the Asian peak and front-end rates have traded sharply higher flattening the curve.

There was significant interest in the US\$39 billion 10-year treasury auction which saw decent demand from investors.

The clearing level was 3bp below the prevailing market level and indirect participation was the highest ever. This will go some way aiding market sentiment. There is a 30-year auction tomorrow.

In commodities markets, Brent crude prices traded below US\$60 per barrel before rebounding after the tariff rollback. Gold prices traded back towards \$3100 and made the largest one-day gain since 2020. Gold is finding support with fixed income not providing the normal diversifying role in portfolios.

The minutes for the March FOMC meeting revealed Fed officials discussed the risk of stagflation and viewed inflation risks as tilted to the topside. In any case, the FOMC took place ahead of the rollout of tariffs and the projections and conclusions from the meeting are somewhat outdated.

The Peoples Bank of China USD/CNY fix was marginally higher than the previous day. This suggests officials will continue to take a calibrated approach to weakening the yuan, rather than a step-change approach, which would likely spillover to other CNY sensitive currency markets.

The RBNZ reduced the OCR by 25bp to 3.75% which was in line with economist expectations. The market was pricing around 30bp of easing ahead of the release, indicating a chance of a larger 50bp rate cut. The accompanying statement outlined that downside risks to inflation and growth track have risen from the trade war and there is scope to lower the OCR further as appropriate.

There were massive moves across NZ fixed income in the local session yesterday reflecting offshore markets. The front end was underpinned by the RBNZ messaging with 2-year rates closing at 3.03%, a fresh cycle low and down 12bp on the day. 5-year rates were unchanged at 3.50% and 10-year rates closed 14bp higher at 4.14%. The 2y/10y curve was 26bp steeper on the day.

The fixed income selloff in the longer end was more pronounced in NZGBs. 10-year government bond yields increased 21bp to 4.76%. The underperformance relative to the swap curve put 10-year asset swap spreads back at the cyclical wides near 60bp.

The weekly government bond tender is scheduled today and will be an important litmus test for demand amid the

volatility and widening in ASW. NZ Debt Management is auctioning NZ\$500m of nominal bonds across the May-2028 (\$275m) and May-2034 (\$225m) maturities. NZ\$25m of Sep-2040 inflation indexed bonds will also be tendered.

There are no domestic releases in the day ahead and the only regional data of note is China CPI and PPI which is likely to remain subdued. The key release overnight is US CPI data for March though it might be too early to see potential tariff impacts on CPI. Core inflation is expected to rise 0.3% m/m which would see the annual rate dip to 3.0%.

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Coming Up

		Period	Cons.	Prev.	NZT
CH	PPI (y/y%)	Mar	-2.3	-2.2	13:30
CH	CPI (y/y%)	Mar	0	-0.7	13:30
AU	RBA's Bullock-Speech				22:00
US	CPI (m/m%)	Mar	0.1	0.2	0:30
US	CPI Ex Food and Energy (m/m%)	Mar	0.3	0.2	0:30
US	CPI (y/y%)	Mar	2.5	2.8	0:30
US	CPI Ex Food and Energy (y/y%)	Mar	3	3.1	0:30
US	Initial Jobless Claims	5-Apr	223.5	219	0:30

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	0.5648	+2.2	0.5535	0.5657	CHF	0.8572	+1.0	S&P 500	5,383	+8.2	3.3	Oil (Brent)	65.42	+4.5
AUD	0.6150	+3.3	0.5986	0.6154	SEK	9.959	-0.7	Dow	40,372	+6.9	3.8	Oil (WTI)	62.31	+4.9
EUR	1.0943	-0.0	1.0914	1.1095	NOK	10.698	-1.8	Nasdaq	16,902	+10.3	3.6	Gold	3062.3	+2.9
GBP	1.2797	+0.4	1.2744	1.2849	HKD	7.758	-0.2	Stoxx 50	4,622	-3.2	-7.4	HRC steel	922.0	+0.2
JPY	148.17	+1.2	144.00	148.27	CNY	7.349	+0.1	FTSE	7,679	-2.9	-3.2	CRB	279.8	-1.1
CAD	1.4108	-1.1			SGD	1.340	-1.0	DAX	19,671	-3.0	8.8	Wheat Chic.	555.5	+0.2
NZD/AUD	0.9184	-1.1			IDR	16,873	-0.1	CAC 40	6,863	-3.3	-14.7	Sugar	17.91	-2.3
NZD/EUR	0.5161	+2.2			THB	34.24	-2.0	Nikkei	31,714	-3.9	-19.9	Cotton	66.49	+1.5
NZD/GBP	0.4414	+1.8			KRW	1,471	-0.7	Shanghai	3,187	+1.3	5.3	Coffee	340.6	+3.0
NZD/JPY	83.69	+3.4			TWD	32.98	-0.1	ASX 200	7,375	-1.8	-6.0	WM powder	3960	-0.4
NZD/CAD	0.7968	+1.0			PHP	57.36	+0.1	NZX 50	11,807	-0.7	-1.4	Australian Futures		
NZ TWI	67.55	+1.4						VIX Index	37.04	-29.2	+147.3	3 year bond	96.77	0.09
Interest Rates												10 year bond	95.58	-0.15
	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	3.73	3.87	USD	4.40	0.11	15-Apr-27	3.21	-0.12	BKBM 1-mth	3.59	-0.01	
AUD	4.10	4.07	3.15	4.32	AUD	4.39	0.16	15-May-28	3.46	-0.07	BKBM 3-mth	3.48	-0.01	
NZD	3.50	3.48	3.03	4.14	NZD	4.76	0.22	20-Apr-29	3.69	-0.02	1 year	3.00	-0.14	
EUR	2.50	2.29	1.99	2.59	GER	2.59	-0.04	15-May-30	3.90	0.02	2 year	3.03	-0.12	
GBP	4.50	4.68	3.81	4.24	GBP	4.78	0.17	15-May-31	4.14	0.06	3 year	3.17	-0.09	
JPY	0.48	-0.03	0.55	1.00	JPY	1.27	0.01	15-May-32	4.35	0.10	5 year	3.50	0.00	
CAD	2.75	4.97	2.47	2.96	CAD	3.23	0.10	14-Apr-33	4.50	0.15	7 year	3.80	0.07	
								15-May-34	4.64	0.20	10 year	4.14	0.14	
								15-May-35	4.76	0.22	15 year	4.45	0.18	
								15-May-36	4.88	0.24	NZ Inflation-Indexed Bonds			
								15-May-37	5.01	0.24	Sep-30	2.19	0.08	
								15-May-41	5.28	0.25	Sep-35	2.99	0.26	
								15-May-51	5.48	0.26	Sep-40	3.32	0.27	
								15-May-54	5.51	0.25				

NZD exchange rates

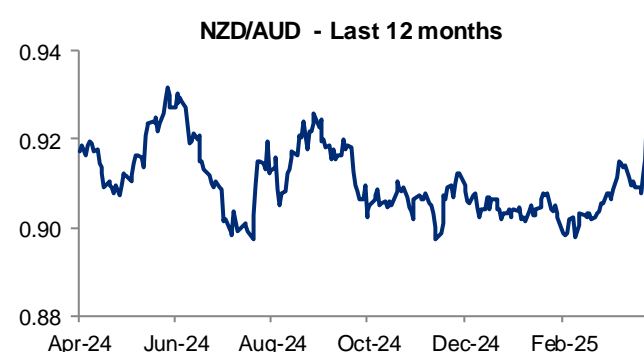
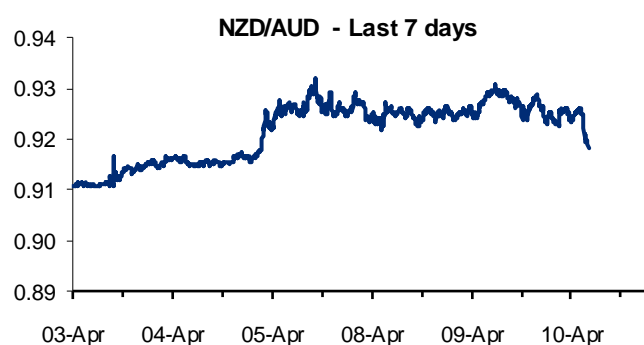
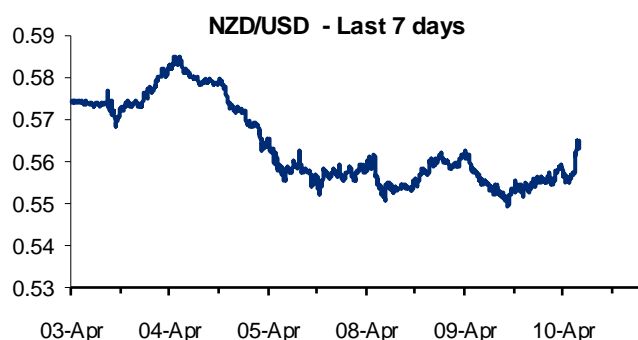
10/04/2025	6:34 am	Prev. NY close
USD	0.5648	0.5534
GBP	0.4414	0.4335
AUD	0.9184	0.9285
EUR	0.5161	0.5050
JPY	83.69	80.95
CAD	0.7968	0.7894
CHF	0.4841	0.4692
DKK	3.8542	3.7709
FJD	1.3101	1.3049
HKD	4.3815	4.3005
INR	48.97	47.73
NOK	6.0423	6.0619
PKR	158.58	155.26
PHP	32.38	31.78
PGK	2.2969	2.2496
SEK	5.6249	5.5466
SGD	0.7569	0.7490
CNY	4.1504	4.0613
THB	19.52	19.26
TOP	1.3512	1.3126
VUV	71.57	69.87
WST	1.5883	1.5768
XPF	62.05	60.76
ZAR	10.8892	10.9371

NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	4.59	5.02
3 Months	14.14	16.19
6 Months	31.01	33.02
9 Months	45.36	50.95
1 Year	59.64	65.18

NZD/AUD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	4.47	6.15
3 Months	11.91	17.04
6 Months	23.65	31.57
9 Months	31.30	45.13
1 Year	38.87	59.10



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