

Research Markets Today

11 April 2025

Events Round-Up

CH: PPI (y/y%), Mar: -2.5 vs. -2.3 exp.
 CH: CPI (y/y%), Mar: 0.1 vs. 0.0 exp.
 US: CPI (m/m%), Mar: -0.1 vs. 0.1 exp.
 US: CPI Ex Food and Energy (m/m%), Mar: 0.1 vs. 0.3 exp.
 US: CPI (y/y%), Mar: 2.4 vs. 2.5 exp.
 US: CPI Ex Food and Energy (y/y%), Mar: 2.8 vs. 3 exp.
 US: Initial Jobless Claims (k), Apr 5: 223 vs. 223 exp.

Good morning

Global asset markets continue to see large swings. After posting one the largest ever one day gains, the S&P has fallen sharply and is currently ~3% lower, albeit off the session lows. Investors are concerned about escalating trade war between the US and China. China now faces an effective 145% tariff rate after the latest hike. Front end treasury yields dropped sharply, and the US dollar fell against G10 currencies. Oil prices fell close to 3% with Brent crude trading back towards US\$63. Meanwhile gold prices reached a fresh record of US\$3175 per troy ounce.

US CPI was softer than expected in March. Headline inflation fell 0.1% m/m, its first monthly decline in close to five years. The annual headline rate dipped to 2.4%. The core reading was also below consensus estimates increasing 0.1% m/m and 2.8% y/y. Consumer prices have remained largely unaffected by the tariffs imposed on China. The initial estimates for the core PCE deflator, the Fed's preferred inflation metric, is 0.13%. If correct this would be the smallest rise since November

The US treasury curve continued its large gyrations. The curve steepened with 2-year yields falling 5bp while the longer end moved higher in yield. Lower front-end yields reflected the risk off tone with investors increasing the amount of Fed easing for 2025 to ~90bp from 75bp yesterday. The US\$22bn 30-year auction saw decent demand and cleared ~2bp below the prevailing market level.

European bond markets are generally lower in yield. Gilts outperformed after an announcement by the Bank of England that it will now auction short dated bonds from its Asset Purchase Facility, rather than longer maturities, reflecting the recent market turmoil. 30-year gilts closed 15bp lower in yield at 5.42%.

The US dollar had a large fall with the dollar index declining almost 2% and nearing its September low. Some linked the fall to repatriation flows out of US assets. The decline was steady through the offshore session and broad-based against G10 currencies. The yen and Swiss franc outperformed given the broader risk backdrop. EUR/USD also made strong gains, trading above 1.12 to the highest level since mid-2023. The 1.12-1.13 region has formed a series of highs over the past few years.

The weaker US dollar contributed to a decent rally for NZD/USD which traded up towards 0.5750. The NZD lost ground against the euro and yen while NZD/AUD made modest gains. In a prepared speech, RBA governor Bullock urged patience while policy makers assess the impact of the new trade regime on the economy.

In China, the monthly CPI and PPI data for March were broadly in line with expectations and highlight ongoing deflationary pressures. The economy faces further headwinds from the escalating trade war with the US. The PBOC has been incrementally moving the USD/CNY fix higher despite the additional retaliatory tariffs from the US.

Chinese authorities are expected to increase fiscal and monetary support. It was announced that China's leaders were meeting to discuss additional stimulus in response to higher US import levies. Bloomberg reported that measures for housing, consumer spending and technology would be discussed.

The main dynamic in NZ fixed income yesterday was a reversal of the previous sessions outsized curve steepening move in line with offshore markets. The swap curve pivoted around the 5-year point for the second day running with 2-year rates closing 11bp higher while 10-year rates dropped 8bp to 4.06%. The 2y/10y curve retraced from 111bp back to 92bp.

The weekly government bond tender was in focus after the recent market volatility. In any case the tender attracted decent demand from investors. There were NZ\$1.4 billion of bids for the NZ\$500 million on offer. The May-2028 line had a better cover ratio, and cleared 2bp below the prevailing market rate, while The May-2034 cleared near market mid-price.

The government curve also flattened. 10y-year government bonds closed 11bp lower and saw only a modest narrowing in ASW spreads after the significant widening in the past week. Australian 10y bond futures are little 3bp higher in yield terms since the local close yesterday, which suggesting a modest upward bias, for NZ yields on the open.

In the day ahead, the domestic focus will centre on the manufacturing PMI which rose to 53.9 in February. US PPI data for March will allow analysts to finetune forecasts for the core PCE deflator which is released at the beginning of the next month. Michigan consumer sentiment is expected to extend its recent decline while medium term inflation expectations are expected to increase further.

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Coming Up

		Period	Cons.	Prev.	NZT
NZ	BusinessNZ Manufacturing PMI	Mar	53.9	10:30	
UK	Monthly GDP (m/m%)	Feb	0.1	-0.1	18:00
UK	Industrial Production (m/m%)	Feb	0.1	-0.9	18:00
GE	CPI EU Harmonized (y/y%)	Mar F	2.3	2.3	18:00
US	PPI Ex Food and Energy (m/m%)	Mar	0.3	-0.1	0:30
US	PPI Ex Food and Energy (y/y%)	Mar	3.6	3.4	0:30
US	U. of Mich. Sentiment	Apr P	53.8	57	2:00
US	U. of Mich. 5-10 Yr Inflation	Apr P	4.3	4.1	2:00

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	0.5751	+1.9	0.5661	0.5757	CHF	0.8247	-3.8	S&P 500	5,275	-3.1	2.2	Oil (Brent)	63.39	-3.5		
AUD	0.6229	+1.3	0.6136	0.6249	SEK	9.842	-1.4	Dow	39,343	-3.0	2.3	Oil (WTI)	60.17	-3.8		
EUR	1.1222	+2.5	1.0968	1.1229	NOK	10.762	-0.3	Nasdaq	16,287	-4.7	0.7	Gold	3155.2	+3.1		
GBP	1.2980	+1.3	1.2845	1.2983	HKD	7.758	-0.0	Stoxx 50	4,819	+4.3	-3.6	HRC steel	930.0	+1.1		
JPY	144.58	-2.2	144.02	147.06	CNY	7.318	-0.4	FTSE	7,913	+3.0	-0.6	CRB	288.1	+3.0		
CAD	1.3974	-0.8			SGD	1.330	-0.9	DAX	20,563	+4.5	13.6	Wheat Chic.	554.0	-0.4		
NZD/AUD	0.9233	+0.7			IDR	16,823	-0.3	CAC 40	7,126	+3.8	-11.4	Sugar	18.12	+1.1		
NZD/EUR	0.5125	-0.6			THB	33.86	-0.8	Nikkei	34,609	+9.1	-12.3	Cotton	66.61	-0.1		
NZD/GBP	0.4431	+0.6			KRW	1,454	-1.2	Shanghai	3,224	+1.2	6.2	Coffee	341.6	+0.3		
NZD/JPY	83.15	-0.3			TWD	32.87	-0.3	ASX 200	7,710	+4.5	-1.3	WM powder	3985	+0.6		
NZD/CAD	0.8036	+1.1			PHP	57.33	-0.0	NZX 50	12,201	+3.3	2.2	Australian Futures				
NZ TWI	68.10	+1.0						VIX Index	43.33	+28.9	+174.2	3 year bond	96.67	-0.10		
Interest Rates												10 year bond			95.65	0.03
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	3.60	3.82	USD	4.38	0.05	15-Apr-27	3.30	0.09	BKBM 1-mth	3.62	0.03			
AUD	4.10	4.12	3.19	4.25	AUD	4.33	-0.06	15-May-28	3.53	0.06	BKBM 3-mth	3.48	0.00			
NZD	3.50	3.48	3.14	4.06	NZD	4.65	-0.11	20-Apr-29	3.73	0.04	1 year	3.11	0.11			
EUR	2.50	2.30	1.99	2.55	GER	2.58	-0.01	15-May-30	3.92	0.01	2 year	3.14	0.11			
GBP	4.50	4.67	3.70	4.07	GBP	4.64	-0.14	15-May-31	4.12	-0.01	3 year	3.26	0.09			
JPY	0.48	-0.03	0.63	1.06	JPY	1.35	0.08	15-May-32	4.31	-0.04	5 year	3.53	0.02			
CAD	2.75	4.97	2.43	2.92	CAD	3.20	0.01	14-Apr-33	4.43	-0.07	7 year	3.77	-0.02			
						Policy Meeting Run		15-May-34	4.54	-0.09	10 year	4.06	-0.08			
						NZD AUD USD		15-May-35	4.65	-0.11	15 year	4.34	-0.11			
								15-May-36	4.76	-0.12	NZ Inflation-Indexed Bonds					
								15-May-37	4.87	-0.14	Sep-30	2.13	-0.07			
								15-May-41	5.14	-0.14	Sep-35	2.92	-0.07			
								15-May-51	5.33	-0.15	Sep-40	3.25	-0.07			
								15-May-54	5.35	-0.16						

NZD exchange rates

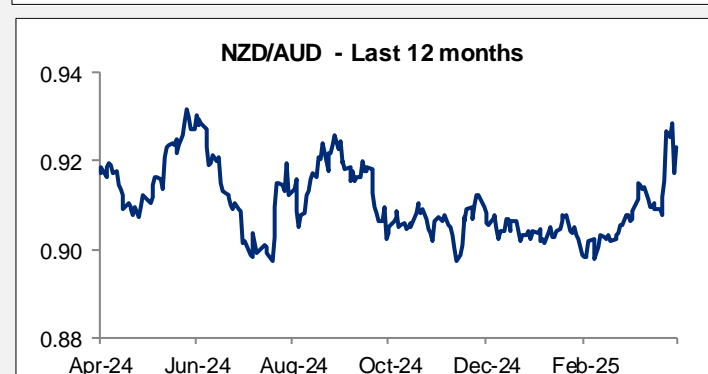
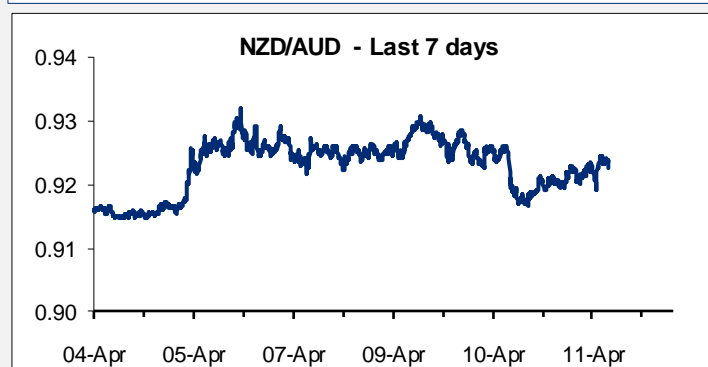
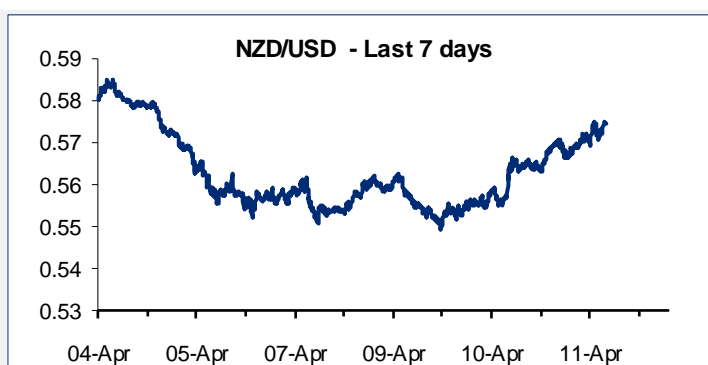
11/04/2025	6:19 am	Prev. NY close
USD	0.5751	0.5644
GBP	0.4431	0.4402
AUD	0.9233	0.9173
EUR	0.5125	0.5155
JPY	83.15	83.40
CAD	0.8036	0.7948
CHF	0.4743	0.4837
DKK	3.8263	3.8484
FJD	1.3285	1.3156
HKD	4.4614	4.3804
INR	49.86	48.68
NOK	6.1896	6.0877
PKR	161.35	158.47
PHP	32.99	32.35
PGK	2.3388	2.2952
SEK	5.6602	5.6276
SGD	0.7647	0.7569
CNY	4.2086	4.1463
THB	19.67	19.51
TOP	1.3667	1.3749
VUV	72.13	71.46
WST	1.6066	1.6085
XPF	62.40	61.99
ZAR	11.1622	10.8927

NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	4.23	4.85
3 Months	14.42	15.54
6 Months	29.72	30.72
9 Months	41.44	43.96
1 Year	50.84	55.28

NZD/AUD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	4.77	6.12
3 Months	14.29	16.96
6 Months	24.24	28.36
9 Months	27.62	35.35
1 Year	30.28	42.59



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