

# Research Markets Today

13 May 2025

## Events Round-Up

No data of note

## Good Morning

The new week has begun with some significant moves in market prices, following de-escalation of the US-China trade war, with both parties agreeing to temporarily reduce tariffs to more palatable levels ahead of further talks. Equity markets have soared, led by the US, global rates are much higher, and the USD has recovered strongly across the board. This sees the NZD probing 0.5850.

Following weekend trade talks between the US and China in Switzerland, the mood music was positive in early trading yesterday and this saw a sharp lift in US equity futures and higher Treasury yields as Asia opened. Those moves have extended overnight after announcements by the US and China on what was agreed.

The US agreed to lower the recently imposed 145% tariff on Chinese goods to 30% (representing the 10% baseline that applies to all countries and the 20% "fentanyl" tariffs). The sector specific tariffs that apply to most countries will remain. China agreed to lower the recently imposed 125% tariff on US goods to 10% and also said it would cancel or suspend some non-tariff measures, potentially including easing export restrictions on critical minerals.

The agreement is temporary, lasting 90-days, while the two sides continue negotiations to work on a broader trade deal. Adding in the prevailing tariffs before Trump's inauguration, the average US tariff on China is now down to about 40%, according to estimates. This average tariff rate is still high and will therefore have significant economic impact, but the effective US-China trade embargo is now over.

The outcome of the weekend talks was much better than anyone imagined. It was only on Friday that President Trump said that lowering tariffs on China to about 80% seemed about right and the consensus was coalescing on a view that the tariff rate might settle to around 60%, in line with the figure widely threatened in the election campaign. So the optics are that China played this much better than the US.

The reduction in tariffs is only temporary and therefore some uncertainty continues to overhang businesses and

the market, but many will now assume that the new level will probably become permanent and more punitive tariffs probably won't return. Bessent said the US was seeking "a long-lasting and durable trade deal" with China and a clear break between the two economies wasn't desirable and "neither side wants to decouple." He added that it was implausible that China tariffs would go below 10%. President Trump said he would likely speak to President Xi later this week.

President Trump also signed an executive order aimed at lowering the cost of prescription drugs by tying US prices those of other countries. The outcome could be significant falls in US drug prices, but much higher prices imposed on the rest of the world, which could have a flow-on impact for the likes of NZ. It is too early to jump to conclusions.

US assets have been at the forefront of large market moves in response to the trade war de-escalation. The S&P500 is currently up 3%, taking it above the pre-Liberation Day level and within about 5% of February's record high. The Nasdaq is up 4%. The Euro Stoxx 600 index closed up 1.2% while the UK FTSE100 rose 0.6%.

With reduced US economic recession odds, the market has pared the scope of Fed easing this year to about 55bps (from 65bps), driving a short-end led sell-off of US Treasuries. The 2-year rate is up 10bps from Friday's close to close to 4% while the 10-year rate is up 7bps to 4.45%. European rates showed similar movements,

The USD has recovered strongly, no doubt accentuated by traders being caught off-guard. With its heavy weight to the underperforming euro, the DXY index is up 1.5%, with broader USD indices up closer to 1%. With tariffs likely to have a reduced negative economic impact on the world outlook, commodity currencies have outperformed. Still, the NZD is down 0.9% from last week's close probing 0.5850. The AUD is down 0.7% to 0.6365 and NZ/AUD has nudged down to 0.92, after trading as low as 0.9175.

Safe-havens CHF and JPY have performed the worst, the latter down over 2%, seeing USD/JPY up to 148.30 and NZD/JPY up to around 87. EUR is down 1½% to 1.1085 and NZD/EUR touched 0.53 overnight before falling back slightly. NZD/GBP is flat at 0.4440.

Oil prices are up 1½%, with Brent crude recovering to about USD65 per barrel.

Yesterday, the higher global rates backdrop pushed up NZ yields. NZGB rates closed up 3-5bps across the curve and NZ swap rates rose 3-4bps. Since the NZ close, the 10-year Australian bond future has risen 8bps in yield terms, which will set the scene for domestic rates in early trading.

On the economic calendar in the day ahead, the US CPI report for April is the key release. The data will capture some early impacts of tariffs – the consensus expecting 0.3% m/m increases for the headline and core measures – but it is still early days, and the tariff impact will gradually rise over coming months. The UK's labour market report will also be of some interest, with the more hawkish members of the BoE's MPC worried about a structurally higher inflation pulse coming from the labour market.

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## Coming Up

		Period	Cons.	Prev.	NZT
AU	Westpac consumer confidence	May	90.1		12:30
AU	NAB business conditions	Apr	4		13:30
UK	Pfte earnings ex bonus (3m y/y%)	Mar	5.7	5.9	18:00
UK	Unemployment rate (%)	Mar	4.5	4.4	18:00
US	NFIB small business optimism	Apr	95.0	97.4	22:00
US	CPI (m/m%)	Apr	0.3	-0.1	00:30
US	CPI ex food, energy (m/m%)	Apr	0.3	0.1	00:30
US	CPI (y/y%)	Apr	2.4	2.4	00:30
US	CPI ex food, energy (y/y%)	Apr	2.8	2.8	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	0.5856	-0.9	0.5847	0.5941	CHF	0.8454	+1.7	S&P 500	5,840	+3.2	11.8	Oil (Brent)	64.85	+1.5
AUD	0.6367	-0.7	0.6357	0.6461	SEK	9.815	+1.0	Dow	42,356	+2.7	7.2	Oil (WTI)	61.84	+1.3
EUR	1.1091	-1.4	1.1066	1.1218	NOK	10.446	+0.6	Nasdaq	18,670	+4.1	14.3	Gold	3227.8	-3.5
GBP	1.3182	-0.9	1.3140	1.3289	HKD	7.792	+0.2	Stoxx 50	5,392	+1.6	6.0	HRC steel	890.0	+0.0
JPY	148.28	+2.0	146.11	148.65	CNY	7.205	-0.5	FTSE	8,605	+0.6	2.0	CRB	295.1	+1.1
CAD	1.3992	+0.4			SGD	1.306	+0.7	DAX	23,567	+0.3	25.5	Wheat Chic.	514.5	-1.4
NZD/AUD	0.9197	-0.1			IDR	16,604	+0.5	CAC 40	7,850	+1.4	-4.5	Sugar	17.70	-0.4
NZD/EUR	0.5280	+0.5			THB	33.48	+1.5	Nikkei	37,644	+0.4	-1.4	Cotton	66.63	+0.0
NZD/GBP	0.4442	+0.0			KRW	1,420	+1.6	Shanghai	3,369	+0.8	7.0	Coffee	373.0	-3.8
NZD/JPY	86.83	+1.1			TWD	30.35	+0.4	ASX 200	8,234	+0.0	6.2	WM powder	4380	+0.5
NZD/CAD	0.8194	-0.5			PHP	55.50	+0.1	NZX 50	12,677	+0.6	8.8	Australian Futures		
NZ TWI	68.67	-0.4						VIX Index	18.64	-14.9	+48.5	3 year bond	96.52	-0.07
Interest Rates											10 year bond 95.58 -0.13			
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	3.78	3.94	USD	4.45 0.07	15-Apr-27	3.28	0.03	BKBM 1-mth	3.50	-0.03		
AUD	4.10	3.80	3.44	4.28	AUD	4.36 0.07	15-May-28	3.49	0.03	BKBM 3-mth	3.37	0.00		
NZD	3.50	3.37	3.13	4.03	NZD	4.55 0.04	20-Apr-29	3.67	0.03	1 year	3.10	0.01		
EUR	2.25	2.12	2.06	2.59	GER	2.65 0.09	15-May-30	3.87	0.03	2 year	3.13	0.03		
GBP	4.25	4.59	3.82	4.12	GBP	4.64 0.08	15-May-31	4.07	0.04	3 year	3.25	0.03		
JPY	0.48	-0.03	0.70	1.20	JPY	1.46 0.09	15-May-32	4.25	0.04	5 year	3.51	0.03		
CAD	2.75	4.97	2.44	2.92	CAD	3.21 0.05	14-Apr-33	4.36	0.04	7 year	3.76	0.04		
							15-May-34	4.46	0.04	10 year	4.03	0.04		
							15-May-35	4.55	0.04	15 year	4.29	0.04		
							15-May-36	4.65	0.04					
							15-May-37	4.77	0.04					
							15-May-41	5.01	0.04					
							15-May-51	5.20	0.04					
							15-May-54	5.23	0.05					

**NZD exchange rates****13/05/2025 6:55 am Prev. NY close**

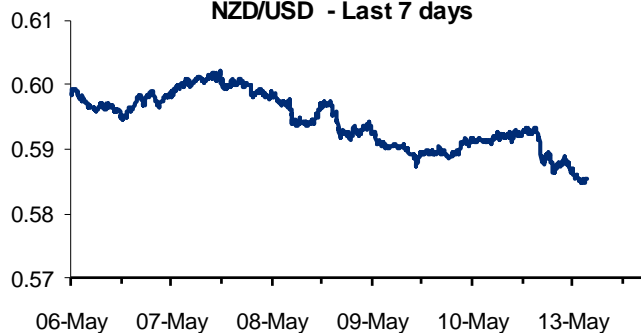
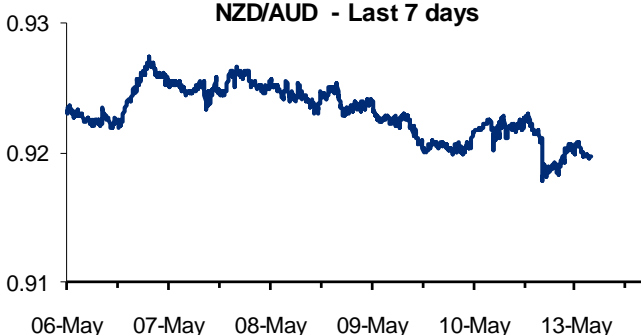
USD	0.5856	0.5910
GBP	0.4442	0.4442
AUD	0.9197	0.9214
EUR	0.5280	0.5253
JPY	86.83	85.91
CAD	0.8194	0.8236
CHF	0.4951	0.4913
DKK	3.9387	3.9188
FJD	1.3330	1.3487
HKD	4.5631	4.5970
INR	50.00	50.66
NOK	6.1168	6.1347
PKR	164.85	166.35
PHP	32.49	32.87
PGK	2.3863	2.4152
SEK	5.7477	5.7427
SGD	0.7650	0.7671
CNY	4.2194	4.2778
THB	19.34	19.41
TOP	1.3641	1.3776
VUV	70.83	71.71
WST	1.6314	1.6463
XPF	62.13	62.25
ZAR	10.7194	10.7572

**NZD/USD Forward Points**

	<b>BNZ buys NZD</b>	<b>BNZ sells NZD</b>
1 Month	5.89	6.09
3 Months	17.96	18.44
6 Months	37.79	38.79
9 Months	54.47	56.58
1 Year	66.72	69.98

**NZD/AUD Forward Points**

	<b>BNZ buys NZD</b>	<b>BNZ sells NZD</b>
1 Month	5.13	5.71
3 Months	16.13	17.31
6 Months	32.31	35.08
9 Months	45.71	51.15
1 Year	57.02	66.32

**NZD/USD - Last 7 days****NZD/AUD - Last 7 days****NZD/USD - Last 12 months****NZD/AUD - Last 12 months**

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