

Research Markets Today

14 May 2025

Events Round-Up

AU: Westpac consumer confid., May: 92.1 vs. 90.1 prev.
 AU: NAB business conditions, Apr: 2 vs. 3 prev.
 UK: Pvte earnings ex bonus (3m y/y%), Mar: 5.6 vs. 5.7 exp.
 UK: Unemployment rate (%), Mar: 4.5 vs. 4.5 exp.
 US: NFIB small business optimism, Apr: 95.8 vs. 95.0 exp.
 US: CPI (m/m%), Apr: 0.2 vs. 0.3 exp.
 US: CPI ex food, energy (m/m%), Apr: 0.2 vs. 0.3 exp.
 US: CPI (y/y%), Apr: 2.3 vs. 2.4 exp.
 US: CPI ex food, energy (y/y%), Apr: 2.8 vs. 2.8 exp.

Good Morning

In the aftermath of the Trump's tariff U-turn that significantly de-escalated the US-China trade war, US equities have made further gains and US Treasuries have looked through the softer-than-expected US CPI report, with yields pushing higher. The USD has reversed course after yesterday's sharp recovery, helping the NZD recover to 0.5940.

Following the US-China joint announcement of slashing US and China tariff rates for 90-days, there have been further announcements of smaller scale. The US said it would cut the "de-minimis" tariff on low-value parcels from China to 54% from 120%. And reversing an earlier restriction, China told its airlines that they can resume taking delivery of pre-existing jet orders.

Shipping companies are gearing up for a surge in trading activity and have raised rates accordingly, with big carriers raising the container rate by some 40% for the second half of May for trade between the US and China.

Economists have already begun revising up their growth forecasts for the US and China and reduced the probability of the US economy entering a recession this year, alongside seeing less scope for the Fed to cut rates this year. Strategists have been revising up S&P500 year-end targets. Yale's The Budget Lab's model suggests that judged by effects on the price level and GDP, the drop to China's tariff rate alone reduces the negative economic impact of all 2025 tariffs to date by 40%. Consumers still face an overall average effective tariff rate of 17.8%, the highest since 1934, but down from 27.6%.

US CPI data for April were one-tenth softer than expected, with both the headline and core rates coming in at 0.2% m/m, seeing the former nudge down to 2.3% y/y and the latter steady at 2.8% y/y%. There was interest in finding any early impact of rising import tariffs and they were difficult to find. The big increase in tariff rates weren't imposed until April and, given lagged impacts, it is far too early to gauge the impact, but they should reveal themselves over coming months. The 10% lift in tariffs for Chinese imports in February and March began to show up in some imported goods categories such as household furnishings and IT goods and there were deflationary impacts seen in some consumer discretionary items like leisure and airfares.

CPI services ex housing and energy, the so-called super core measure, rose 0.2% m/m, the weakest inflation in four years. If not for the looming price increases driven by tariffs, the US Fed would probably be cutting rates. In other data, NFIB small business optimism index dropped for a fourth successive month to 95.8, but by slightly less than expected.

Following the soft CPI print, President Trump posted on social media that "THE FED must lower the RATE like Europe and China have done. What is wrong with Too Late Powell?" The market has further pared back the scope for easier policy this year, down to 52bps of cuts for the Fed Funds rate, from 56bps at yesterday's close. The market is more focused on the scope for inflation to rise than the fact it was lower last month. The 2-year Treasury yield is little changed just over 4%, while the 10-year rate is up a couple of basis points, pushing up to 4.5%.

US equities are stronger, with the S&P500 up around 1%, seeing the index back in positive territory for the year and within 4% from the record high in February. European equities closed relatively flat.

After yesterday's sharp recovery in the USD as traders were caught flat-footed following the significant reduction in US-China tariffs, the currency has reversed course, with USD indices down in the order of 0.7-0.8%. The NZD and AUD are clear outperformers over the past 24 hours, lifting in the order of 1½%. The NZD has recovered to 0.5940 and the AUD to 0.6475, with NZD/AUD nudging lower to 0.9175.

Other NZD crosses are all notably stronger, with other majors recovering less against the USD.

In other news, US Treasury Secretary Bessent said the EU suffers from a “collective action problem” that’s hampering trade negotiations, downplaying the possibility of a quick trade agreement. UK labour market data showed a steady unemployment rate and further modest progress in moderating wage inflation, with private sector earnings ex bonuses falling three-tenths to 5.6%, slightly below consensus, even if still uncomfortably high.

Oil prices are higher, with Brent crude up 2½% to USD66.60 per barrel, reflecting a better global growth outlook and President Trump threatening to increase sanctions on Iranian crude if a nuclear deal isn’t reached.

Yesterday, domestic rates felt the full impact of higher global rates, with NZGB and swap yields rising 5-8bps across the curve and with a steepening bias. The 2-year

swap rate rose 6bps to 3.19%, the highest close since early April, while the 10-year rate rose 7bps to 4.10%.

On the economic calendar today are NZ card spending data and Australia’s wage price index.

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Coming Up

		Period	Cons.	Prev.	NZT
NZ	Card spending total (m/m%)	Apr		-1.5	10:45
AU	Wage price index (q/q%)	1Q	0.8	0.7	13:30
AU	Wage price index (y/y%)	1Q	3.2	3.2	13:30

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	0.5941	+1.5	0.5884	0.5941	CHF	0.8405	-0.6	S&P 500	5,894	+0.9	12.9	Oil (Brent)	66.61	+2.5	
AUD	0.6477	+1.6	0.6401	0.6478	SEK	9.730	-1.0	Dow	42,215	-0.4	7.1	Oil (WTI)	63.69	+2.8	
EUR	1.1184	+0.9	1.1097	1.1185	NOK	10.354	-1.0	Nasdaq	19,032	+1.8	16.1	Gold	3254.4	+0.8	
GBP	1.3300	+0.9	1.3196	1.3303	HKD	7.797	+0.1	Stoxx 50	5,416	+0.4	6.6	HRC steel	885.0	-0.6	
JPY	147.52	-0.6	147.46	148.27	CNY	7.205	-0.0	FTSE	8,603	-0.0	2.2	CRB	295.5	+0.1	
CAD	1.3941	-0.3			SGD	1.301	-0.4	DAX	23,639	+0.3	26.1	Wheat Chic.	517.8	+0.5	
NZD/AUD	0.9172	-0.2			IDR	16,627	+0.1	CAC 40	7,874	+0.3	-4.1	Sugar	18.22	+2.9	
NZD/EUR	0.5312	+0.6			THB	33.23	-0.6	Nikkei	38,183	+1.4	-0.5	Cotton	66.28	-0.3	
NZD/GBP	0.4467	+0.5			KRW	1,417	-0.2	Shanghai	3,375	+0.2	7.3	Coffee	376.4	+0.9	
NZD/JPY	87.64	+0.8			TWD	30.43	+0.2	ASX 200	8,269	+0.4	7.0	WM powder	4380	+0.0	
NZD/CAD	0.8282	+1.2			PHP	55.78	+0.5	NZX 50	12,787	+0.9	10.1	Australian Futures			
NZ TWI	69.28	+1.0						VIX Index	17.81	-3.2	+31.0	3 year bond	96.42	-0.10	
Interest Rates											10 year bond			95.52	-0.05
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	3.80	3.97	USD	4.49	0.02	15-Apr-27	3.33	0.05	BKBM 1-mth	3.49	-0.01		
AUD	4.10	3.80	3.46	4.35	AUD	4.43	0.07	15-May-28	3.56	0.07	BKBM 3-mth	3.37	0.00		
NZD	3.50	3.37	3.19	4.10	NZD	4.62	0.07	20-Apr-29	3.74	0.07	1 year	3.15	0.05		
EUR	2.25	2.14	2.07	2.62	GER	2.68	0.03	15-May-30	3.94	0.08	2 year	3.19	0.06		
GBP	4.25	4.59	3.80	4.13	GBP	4.67	0.03	15-May-31	4.15	0.07	3 year	3.32	0.07		
JPY	0.48	-0.03	0.72	1.22	JPY	1.44	-0.01	15-May-32	4.32	0.07	5 year	3.58	0.08		
CAD	2.75	4.97	2.44	2.95	CAD	3.23	0.02	14-Apr-33	4.43	0.07	7 year	3.83	0.07		
								15-May-34	4.53	0.07	10 year	4.10	0.07		
								15-May-35	4.62	0.07	15 year	4.36	0.07		
								15-May-36	4.72	0.07					
								15-May-37	4.84	0.07					
								15-May-41	5.08	0.07					
								15-May-51	5.27	0.07					
								15-May-54	5.30	0.07					

NZD exchange rates**14/05/2025 6:57 am Prev. NY close**

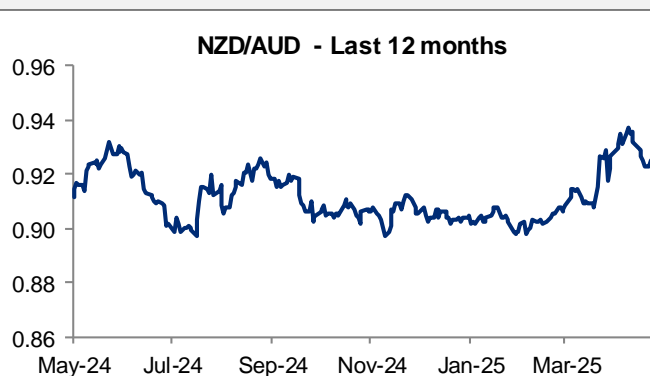
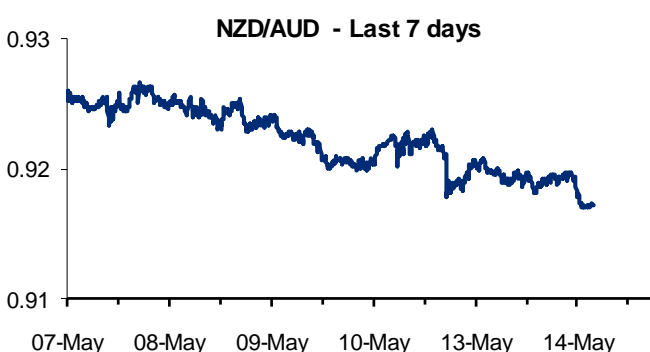
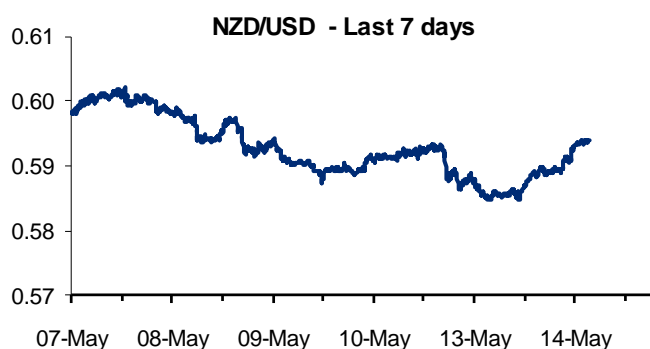
USD	0.5941	0.5855
GBP	0.4467	0.4444
AUD	0.9172	0.9189
EUR	0.5312	0.5281
JPY	87.64	86.92
CAD	0.8282	0.8182
CHF	0.4993	0.4951
DKK	3.9626	3.9401
FJD	1.3502	1.3469
HKD	4.6321	4.5617
INR	50.70	49.99
NOK	6.1514	6.1214
PKR	167.32	164.80
PHP	33.15	32.48
PGK	2.4289	2.3927
SEK	5.7805	5.7515
SGD	0.7731	0.7648
CNY	4.2803	4.2187
THB	19.73	19.33
TOP	1.3878	1.3677
VUV	72.06	70.68
WST	1.6580	1.6353
XPF	62.76	62.13
ZAR	10.8748	10.6935

NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	5.70	5.90
3 Months	18.17	18.67
6 Months	38.37	39.37
9 Months	54.44	56.98
1 Year	66.33	69.99

NZD/AUD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	4.91	5.44
3 Months	16.22	17.42
6 Months	32.24	35.23
9 Months	44.36	50.82
1 Year	54.37	63.96



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