

Research Markets Today

18 May 2026

Events round-up

NZ: Manufacturing PMI, Apr: 50.5 vs. 53.2 prev.

NZ: Food prices, Apr: 0.0 vs. -0.6 prev.

US: Empire manufacturing, May: 19.6 vs. 7 exp.

US: Industrial production (m/m%), Apr: 0.7 vs. 0.3 exp.

Good morning

Further weakness in global bonds cast a softer tone over risk-sensitive assets into the weekly close. Markets are adjusting to the prospect that inflation will remain elevated, forcing central banks to keep policy tighter for longer amid elevated oil prices. Equities fell sharply, with the S&P 500 down more than 1% and major indices in Asia and Europe were also weaker. US 30-year Treasury yields traded above 5.10%, while Japan's 30-year bond yield hit 4% for the first time. The US dollar strengthened broadly, pushing the NZD below 0.5840.

The moves came as oil prices continued to climb. Brent crude rose 3% and traded above to \$109 a barrel. Prices extended gains after US President Trump's meeting with Chinese leader Xi Jinping failed to offer any meaningful indication of progress on increasing energy flows through the Strait of Hormuz. The lack of concrete measures deepened concerns that disruptions to global supply could worsen as inventories are drawn down.

US economic data had limited market impact. Industrial production rose 0.7% in April, well above consensus. The Empire State manufacturing index rose to +19.6 in May from +11.0, also beating the consensus estimate. The market is pricing around 16bp of Fed tightening by year-end. That pricing had increased during Asian trade and was little changed following the releases. The 10-year Treasury yield reached 4.60%, its highest level in 12 months and 8bp above the level prevailing at the NZ close.

Amid the broad-based weakness in sovereign bond markets, UK gilts resumed their recent selloff. The political crisis threatening Prime Minister Keir Starmer's leadership has increased the risk of a shift away from fiscal restraint. Signs that Manchester Mayor Andy Burnham could mount a leadership challenge added to the pressure. The 10-year gilt yield rose as high as 5.17%, up 17bp on the session and at its highest level since 2008.

G-7 finance ministers are set to discuss the recent selloff in government bonds when they meet in Paris in coming days. Japanese Finance Minister Satsuki Katayama said bond-market developments are expected to be on the agenda, while US Treasury Secretary Scott Bessent suggested the rise in yields may reflect markets pricing in a short-term inflation blip that he believes will prove temporary.

The US dollar gained in Asian trade on Friday as risk assets softened. It was marginally firmer against the major currencies into the weekly close, while NZD and AUD underperformed. NZD/USD fell towards 0.5840, its lowest level of the month. The NZD was also softer on the key crosses. Alongside the Australasian currencies, the pound underperformed amid the political uncertainty.

Japan's renewed yen weakness has heightened the risk of further official intervention, with USD/JPY trading above 158.50. Elevated oil prices, broad US dollar strength, Middle East tensions, and the wide Japan-US interest rate gap are all weighing on the yen. With little sign of easing geopolitical stress and the Bank of Japan not due to meet until mid-June, market participants will be attuned for any further intervention particularly on a move towards 160.

NZ rates ended Friday higher in yield. There was an initial dip following the weaker manufacturing PMI and softer-than-expected April inflation partials, which contributed to a downward revision in our Q2 CPI forecast to 4.0% y/y. Rates then reversed higher in line with the global selloff, as US Treasury yields pushed to fresh cycle highs. NZ swap rates closed 2bp higher across the curve, with the 2-year at 3.64% and the 10-year at 4.41%. Australian 10-year bond futures are about 5bp higher in yield terms since Friday's local close, pointing to a higher open for NZ yields.

The services PMI is released today. The headline index fell deeper into contractionary territory in March, reaching 46, its lowest level in almost 12 months. Another weak reading would add to concerns about growth outlook which has deteriorated since the Middle East conflict began. In China, monthly activity data are also due and are likely to show continued softness in domestic demand, while industrial production remains supported by exports.

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Coming up

	Period	Cons.	Prev.	NZT
NZ Performance Services Index	Apr	46	10:30	
CH Retail Sales (y/y%)	Apr	2	1.7	14:00
CH Industrial Production (y/y%)	Apr	6	5.7	14:00
CH Fixed Assets Ex Rural YTD (y/y%)	Apr	1.7	1.7	14:00
US NAHB Housing Market Index	May	34	34	02:00

Source: Bloomberg

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	0.5839	-1.2	0.5836	0.5870	CHF	0.7869	+0.4	S&P 500	7,409	-1.2	25.2	Oil (Brent)	109.26	+3.5
AUD	0.7147	-1.0	0.7140	0.7180	SEK	9.448	+0.9	Dow	49,526	-1.1	17.0	Oil (WTI)	105.42	+4.2
EUR	1.1625	-0.4	1.1617	1.1655	NOK	9.310	+0.8	Nasdaq	26,225	-1.5	37.2	Gold	4561.9	-2.6
GBP	1.3323	-0.6	1.3315	1.3393	HKD	7.831	-0.0	Stoxx 50	5,828	-1.8	7.7	HRC steel	1079.0	+0.0
JPY	158.78	+0.2	158.30	158.84	CNY	6.813	+0.4	FTSE	10,195	-1.7	17.4	CRB	399.3	-0.2
CAD	1.3750	+0.2			SGD	1.281	+0.4	DAX	23,951	-2.1	0.8	Wheat Chic.	649.8	-3.3
NZD/AUD	0.8169	-0.2			IDR	17,597	+0.4	CAC 40	7,953	-1.6	1.3	Sugar	14.80	-1.3
NZD/EUR	0.5023	-0.9			THB	32.65	+0.7	Nikkei	61,409	-2.0	62.7	Cotton	80.61	-4.0
NZD/GBP	0.4382	-0.7			KRW	1,498	+0.4	Shanghai	4,135	-1.0	22.3	Coffee	266.9	-3.2
NZD/JPY	92.70	-0.9			TWD	31.55	+0.1	ASX 200	8,631	-0.1	3.4	WM powder	3885	+0.6
NZD/CAD	0.8028	-0.9			PHP	61.72	+0.1	NZX 50	12,965	-0.5	1.4	Australian Futures		
NZ TWI	66.45	-0.8						VIX Index	18.43	+6.8	+3.4	3 year bond	95.27	-0.05
												10 year bond	94.87	-0.10
Interest Rates														
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	3.75	4.85	3.92	4.16	USD	4.59	0.11	15-May-28	3.70	0.02	BKBM 1-mth	2.47	-0.01	
AUD	4.35	4.44	4.76	5.20	AUD	5.07	0.05	20-Apr-29	3.90	0.02	BKBM 3-mth	2.66	-0.01	
NZD	2.25	2.66	3.64	4.41	NZD	4.75	0.02	15-May-30	4.09	0.03	1 year	3.19	-0.00	
EUR	2.00	2.24	2.94	3.20	GER	3.17	0.12	15-May-31	4.27	0.03	2 year	3.64	0.02	
GBP	3.75	3.87	4.45	4.73	GBP	5.17	0.18	15-May-32	4.41	0.03	3 year	3.84	0.03	
JPY	0.74	-0.03	1.46	2.53	JPY	2.72	0.08	14-Apr-33	4.49	0.03	5 year	4.06	0.02	
CAD	2.25	4.97	2.94	3.45	CAD	3.69	0.12	15-May-34	4.58	0.02	7 year	4.22	0.02	
								15-May-35	4.67	0.02	10 year	4.41	0.02	
								15-May-36	4.75	0.02	15 year	4.65	0.02	
								15-May-37	4.85	0.02				
								15-May-41	5.11	0.02	NZ Inflation-Indexed Bonds			
								15-May-51	5.31	0.02	Sept-30	1.60	-0.00	
								15-May-54	5.32	0.02	Sept-35	2.40	-0.00	
											Sept-40	2.86	-0.00	
Carbon Price		Policy Meeting Run												
	Level	% Day	% Year	NZD	AUD	USD								
NZU	52.05	+0.0	-7.1	1st	2.32	4.41	3.63							
* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer				2nd	2.49	4.59	3.65							
Rates at NY close				3rd	2.71	4.67	3.68							
Source: Bloomberg				4th	2.88	4.76	3.72							
				5th	3.10	4.79	3.79							

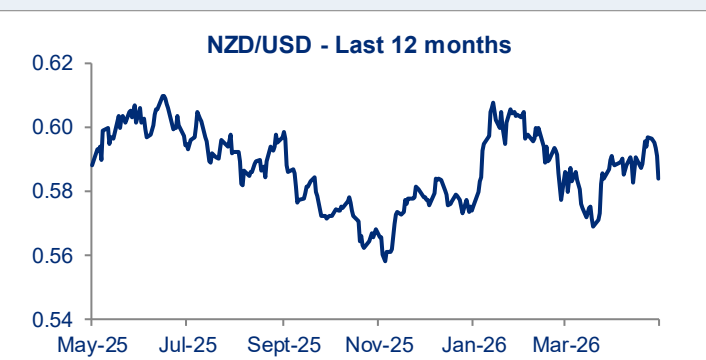
NZD exchange rates

16/05/2026	NY close	Prev. NY close
USD	0.5839	0.5912
GBP	0.4382	0.4411
AUD	0.8169	0.8187
EUR	0.5023	0.5066
JPY	92.70	93.63
CAD	0.8028	0.8111
CHF	0.4595	0.4633
DKK	3.7535	3.7860
FJD	1.2735	1.2911
HKD	4.5724	4.6306
INR	56.04	56.62
NOK	5.4359	5.4602
PKR	162.68	164.75
PHP	36.04	36.44
PGK	2.5376	2.5783
SEK	5.5166	5.5330
SGD	0.7477	0.7544
CNY	3.9779	4.0126
THB	19.06	19.11
TOP	1.3395	1.3513
VUV	69.00	69.63
WST	1.5507	1.5703
XPF	59.82	60.35
ZAR	9.7473	9.7447



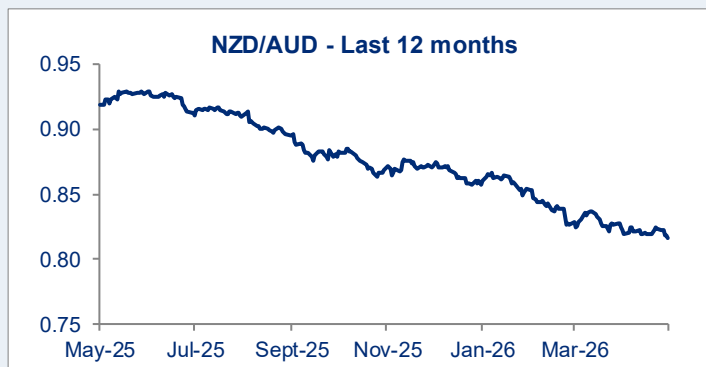
NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	6.23	6.57
3 Months	15.96	16.62
6 Months	27.82	29.38
9 Months	36.26	38.72
1 Year	40.76	44.71



NZD/AUD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	14.32	15.00
3 Months	38.41	39.70
6 Months	74.92	78.09
9 Months	107.72	112.21
1 Year	132.27	139.94



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