

Research Markets Today

19 May 2026

Events Round-Up

NZ: Performance of services index, Apr: 48.9 vs. 46.0
 CH: Retail sales (y/y%), Apr: 0.2 vs. 2.0 exp.
 CH: Industrial production (y/y%), Apr: 4.1 vs. 6.0 exp.
 CH: Fixed investment (YTD, y/y%), Apr: -1.6 vs. 1.7 exp.
 US: NAHB housing market index, May: 37 vs. 34 exp.

Good Morning

Risk sentiment started the week with a risk off tone, with higher oil prices, higher global rates and weaker equity markets. While markets have been yippy, the move has been largely sustained overnight, although there has been a reversal in currency markets, with USD strength reversing, seeing the NZD recover to 0.5860. UK gilts and GBP have outperformed following a fading of UK political risk premia.

It was another case of the new week opening with a risk-off tone in the face of no fresh developments to resolve the conflict in the Middle East. Saudi Arabia and UAE reported facing drone strikes, while Axios reported Trump meeting with his national security team to assess next steps in the conflict.

Brent crude opened the Asian trading session on a positive note. A closure of the Strait of Hormuz into June is widely seen as driving the oil market into an “operational stress” phase, which could represent a pivot point for a non-linear lift in oil prices and a deeper impact for the global economy.

In overnight developments, an Iranian news report saying the US had offered to lift sanctions on the sale of Iranian oil until a final deal was reached proved to be false. A fall in Brent crude from USD111 to USD107 was reversed, and prices have recovered to USD112 as we go to print. Latest negotiations via mediator Pakistan have offered no breakthrough. A White House official said Iran is failing to offer detailed commitments on the surrender of its stockpile of highly enriched uranium. Iranian news reports suggest the US demands were still excessive. News from Israel says the country is preparing for a resumption of fighting after the US received a “humiliating” response from Iran to its latest proposal.

As Asia opened, higher oil prices fuelled inflation expectations and fear of a rising need for central bank policy makers to act against the higher inflation threat. Alongside pre-existing concerns about the sustainability of fiscal policy, the bond market had a case of the heebie-jeebies. Some new milestones were reached, with the US 30-year Treasury yield breaking up through 5.15% to reach a multi-year high, and Japan’s 10-year rate jumping to 2.80%, its highest level since 1996, with even larger moves for its longer dated bonds.

Markets have been yippy overnight. US rates retraced the move, with the 10-year Treasury rate falling from 4.63% to a low of 4.56% before rising back to 4.62%.

Fuelling yesterday’s sell-off, in Japan PM Takaichi said she had directed the Finance Ministry to draw up a supplementary budget to support “emergency relief measures” which will require increased debt. A more than 10bps rise in Japan’s 30-year bond rate to a high of 4.21% fully reversed by the end of the trading session back down to 4.10%.

Higher bond yields drove weaker Asia-Pacific equity markets and S&P futures. By the time the US market opened, sentiment had improved and the S&P500 opened on a slightly positive note but as we go to print, the index is down 0.7% in mid-afternoon trading. European equities were stronger, with the Euro Stoxx 600 index up 0.5% while European bond yields were down 2-3bps across the curve.

The UK political risk premium that was priced past week has faded a little, seeing UK gilts down in the order of 8bps across the curve and GBP outperformance. A spokesperson for Andy Burnham, a leading contender to replace Keir Starmer in a likely challenge later this year, said that he wouldn’t make any changes to current fiscal rules if he were to become PM and also ruled out exempting defence spending from the constraints. These comments reduce the market’s fear of a fiscal blowout should Burnham win the leadership.

GBP is the strongest performer since Friday’s close, up 0.6% to 1.3410. The yen is the weakest of the majors with concerns about the direction of Japanese policy, both monetary and fiscal. Japan’s MoF has seen little bang per buck from its recent currency intervention, with USD/JPY back up to around 159. Japan’s policy makers remain in denial about the source of yen weakness.

The NZD traded down to about 0.5825 in early afternoon trading yesterday and has recovered overnight to 0.5860, up 0.4% from last week's close. The NZD has gained on most crosses, apart from some minor slippage to 0.4370 against GBP. The AUD has shown less of a recovery overnight to trade at 0.7150, sending NZD/AUD up towards 0.82, after the cross rate traded at a fresh 13-year low of 0.8161 yesterday.

In economic news, China economic activity data for April were much weaker than expected, with annual growth in retail sales barely positive, industrial production growth at a three-year low of 4.1% y/y and fixed asset investment contracting by 1.6% in the first four months of the year from a year earlier. The data highlighted that China was suffering by the Middle East conflict as are most Asian economies.

In the US, homebuilding sentiment reported by the NAHB index rose 3pts to 37, still a relatively depressed level against the backdrop of affordability concerns.

In NZ, the performance of services index rose 1.7pts to 48.9 in April, breaking the fall over the past couple of months, albeit still in mild contractionary territory. Including an even sharper rise in new orders, the data provided some comfort that the series didn't fall again. The composite index of 48.6 was still consistent with a soft economic backdrop, as one would expect in the face of a big oil shock.

Global forces drove up NZ rates. NZGB yields rose 3-7bps across the curve, with an evident steepening bias. The

swaps market showed a similar move, with the 2-year rate up 3bps to 3.68%, a fresh closing high for the cycle as it broke up through the peak in late-March. The 10-year rate rose 8bps to 4.49%. The overnight reversal in global rates should see lower rates today, with the Australian 10-year bond future down 4bps in yield terms since the NZ close.

In the day ahead second tier data in NZ, namely PPI and electronic card transactions shouldn't trouble the scorers. RBA Assistant Governor Hunter speaks, just ahead of Japanese Q1 GDP, which is expected to show a 0.4% q/q increase. Tonight sees the release of UK labour market and Canadian CPI data.

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Coming Up

		Period	Cons.	Prev.	NZT
NZ	PPI output (q/q%)	Q1		0.1	10:45
NZ	Card spending total (m/m%)	Apr		1.3	10:45
AU	RBA's Hunter speaks				11:30
JN	GDP (q/q%)	Q1	0.4	0.3	11:50
AU	Westpac consumer confidence	May		80.1	12:30
UK	Pvte earnings x bonus (3m/yo%)	Mar	3.1	3.2	18:00
UK	Unemployment rate (%)	Mar	4.9	4.9	18:00
CA	CPI (y/y%)	Apr	3.1	2.4	00:30
CA	CPI core (avg med/trim y/y%)	Apr	2.3	2.3	00:30
US	Pending home sales (m/m%)	Apr	1.0	1.5	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		% Year		Last	Net Day		
NZD	0.5860	+0.3	0.5845	0.5881	CHF	0.7860	-0.1	S&P 500	7,364	-0.6	23.6	Oil (Brent)	112.02	+2.5
AUD	0.7149	-0.0	0.7143	0.7184	SEK	9.417	-0.3	Dow	49,363	-0.3	15.7	Oil (WTI)	108.58	+3.0
EUR	1.1630	+0.0	1.1626	1.1657	NOK	9.278	-0.3	Nasdaq	25,883	-1.3	34.7	Gold	4546.3	-0.4
GBP	1.3402	+0.6	1.3343	1.3450	HKD	7.831	+0.0	Stoxx 50	5,849	+0.4	7.8	HRC steel	1080.0	+0.1
JPY	159.07	+0.2	158.61	159.07	CNY	6.800	-0.2	FTSE	10,324	+1.3	18.9	CRB	399.3	-0.2
CAD	1.3750	+0.0			SGD	1.280	-0.0	DAX	24,308	+1.5	2.3	Wheat Chic.	678.3	+4.4
NZD/AUD	0.8197	+0.3			IDR	17,668	+0.4	CAC 40	7,987	+0.4	1.3	Sugar	14.73	-0.5
NZD/EUR	0.5039	+0.3			THB	32.59	-0.1	Nikkei	60,816	-1.0	62.2	Cotton	83.70	+4.3
NZD/GBP	0.4372	-0.2			KRW	1,493	-0.3	Shanghai	4,132	-0.1	22.7	Coffee	264.2	-1.0
NZD/JPY	93.22	+0.5			TWD	31.56	+0.0	ASX 200	8,505	-1.5	2.5	WM powder	3890	+0.1
NZD/CAD	0.8058	+0.3			PHP	61.73	+0.0	NZX 50	12,763	-1.6	1.1	Australian Futures		
NZ TWI	66.62	+0.4						VIX Index	18.63	+1.1	+8.1	3 year bond	95.26	-0.01
												10 year bond	94.89	0.03

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	3.94	4.20	USD	4.62	0.03	15-May-28	3.73	0.03	BKBM 1-mth	2.47	0.00
AUD	4.35	4.45	4.72	5.16	AUD	5.11	0.04	20-Apr-29	3.95	0.04	BKBM 3-mth	2.66	0.00
NZD	2.25	2.66	3.68	4.49	NZD	4.82	0.07	15-May-30	4.14	0.05	1 year	3.22	0.02
EUR	2.00	2.23	2.92	3.18	GER	3.15	-0.02	15-May-31	4.32	0.05	2 year	3.68	0.03
GBP	3.75	3.87	4.39	4.64	GBP	5.10	-0.07	15-May-32	4.47	0.06	3 year	3.88	0.04
JPY	0.73	-0.03	1.42	2.52	JPY	2.74	0.02	14-Apr-33	4.56	0.07	5 year	4.12	0.06
CAD	2.25	4.97	2.94	3.45	CAD	3.69	0.12	15-May-34	4.65	0.07	7 year	4.29	0.07
								15-May-35	4.74	0.07	10 year	4.49	0.08
								15-May-36	4.82	0.07	15 year	4.72	0.08
								15-May-37	4.91	0.07			
								15-May-41	5.17	0.07			
								15-May-51	5.38	0.07			
								15-May-54	5.39	0.07			

Carbon Price				Policy Meeting Run			
	Level	% Day	% Year		NZD	AUD	USD
NZU	54.20	+4.1	-3.2	1st	2.33	4.40	3.64
				2nd	2.50	4.57	3.66
				3rd	2.73	4.63	3.69
				4th	2.89	4.71	3.73
				5th	3.12	4.74	3.80

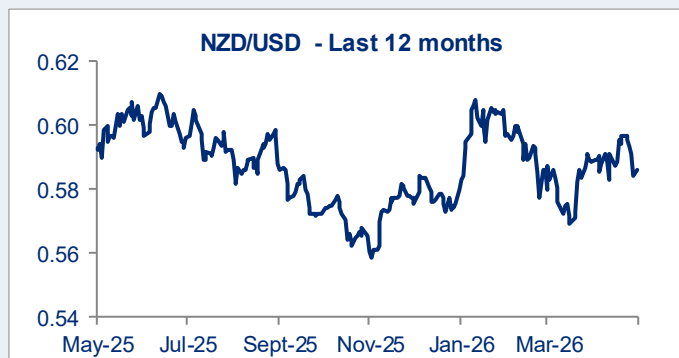
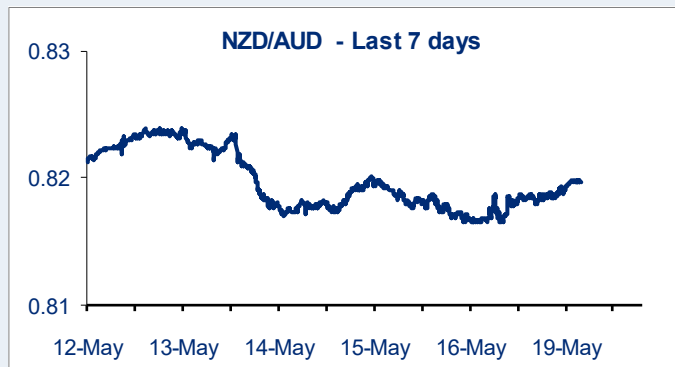
* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer

Rates are as of: NZT 06:59

Source: Bloomberg

NZD exchange rates

19/05/2026	7:00 am	Prev. NY close
USD	0.5860	0.5839
GBP	0.4372	0.4382
AUD	0.8197	0.8166
EUR	0.5039	0.5023
JPY	93.22	92.69
CAD	0.8058	0.8029
CHF	0.4606	0.4595
DKK	3.7653	3.7535
FJD	1.2883	1.2735
HKD	4.5952	4.5724
INR	56.54	56.04
NOK	5.4375	5.4359
PKR	163.46	162.68
PHP	36.23	36.04
PGK	2.5580	2.5376
SEK	5.5159	5.5166
SGD	0.7505	0.7477
CNY	3.9903	3.9779
THB	19.15	19.06
TOP	1.3634	1.3395
VUV	69.39	69.00
WST	1.5713	1.5507
XPF	59.96	59.82
ZAR	9.7602	9.7473



NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	6.12	6.42
3 Months	16.14	16.72
6 Months	28.27	29.46
9 Months	36.66	39.01
1 Year	40.94	44.94

NZD/AUD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	14.00	14.55
3 Months	38.53	39.68
6 Months	74.83	77.50
9 Months	106.92	111.80
1 Year	129.85	137.69

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