

Research Markets Today

20 May 2025

Events Round-Up

NZ: Performance of services index, Apr: 48.5 vs. 49.1 prev.
 NZ: PPI output (q/q%), 1Q: 2.1 vs. -0.1 prev.
 CH: Retail sales (y/y%), Apr: 5.1 vs. 5.9 exp.
 CH: Industrial production (y/y%), Apr: 6.1 vs. 5.7 exp.
 CH: Fixed assets invest. (YTD y/y%), Apr: 4.0 vs. 4.2 exp.

Good morning

Risk sentiment began the week with a soft tone, after the downgrade to the US government's credit rating by Moody's Ratings, near the global close on Friday. S&P equity index futures fell more than 1% in Asian trade, treasury yields moved higher with the curve steepening and the US dollar fell. Risk sentiment has rebounded overnight with the S&P fully unwinding its earlier fall and treasuries also recovering.

Comments by Federal Reserve officials suggested policy makers may not be ready to cut rates before September given the uncertain backdrop and the need to assess the incoming data. New York Fed President Williams said the central bank will need till at least July to get a greater understanding of the economic backdrop. The market is pricing less than a 10% chance of a 25bp cut at the June FOMC and close to 50bp of easing priced by year end.

The initial selloff in treasuries, linked to the Moody's downgrade, fully reversed during US trade. Yields on the 30-year bond had reached a high of 5.04%, 9bp above the previous close. 30-year treasury yields have previously peaked slightly above 5% in January and again in April, albeit at levels below the 5.18% multi-year high, reached in late 2023. 10-year treasuries are currently yielding 4.49%, having traded as high as 4.56%.

The US dollar is broadly weaker against G10 currencies in offshore trade but has recovered off the lows in line with the rebound in equities and treasuries. The Australasian and Scandinavian currencies outperformed. NZD/USD traded up towards 0.5930, matching the move in AUD/USD, and keeping the cross stable near 0.9180. The NZD is stronger on the other major cross rates.

China's monthly activity data were mixed in April. Industrial production expanded at a 6.1% from a year ago, which was above consensus estimates and displayed

resilience despite the trade tensions. However, retail sales were softer than expected and highlight fragile consumer sentiment, set against the backdrop of a property market slump.

New Zealand's services sector showed a further decline in activity during April. The services PMI dipped to 48.5 from 49.1 in March. This is the third consecutive month below the 50 level, and the index is well below the long-term mean of 53, highlighting the challenging backdrop and suggesting ongoing headwinds for the anticipated pickup in economic growth.

NZ fixed income moved higher in yield and the curve steepened in the local session yesterday. The market looked past the pullback in the services PMI and took its cue from offshore. 2-year swap rates closed 4bp higher at 3.23%, reaching the highest level in four weeks, having rebounded off 3.05% at the start of May. 10-year swap rates increased 6bp to 4.17%.

There was a similar move for the government curve. 10-year yields increased 8bp to 4.68% with spreads against US treasuries and Australia largely stable. Australian 10-year bond futures are ~4bp lower in yield terms, since the local close yesterday, suggesting a downward bias for NZ yields on the open.

There is no domestic of note today. The regional focus will centre on the Reserve Bank of Australia's meeting where it is widely expected to cut rates by 25bp to 3.85%. The latest Statement on Monetary Policy, which contains more detailed assessments and the staff's central forecasts for the economy, will be released alongside the decision. The market is fully discounting a 25bp rate cut. Canada releases CPI data for April this evening.

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Coming Up

		Period	Cons.	Prev.	NZT
AU	RBA Cash Rate Target	May	3.85	4.1	16:30
CA	CPI (y/y%)	Apr	1.6	2.3	00:30
CA	CPI Core- Median (y/y%)	Apr	2.9	2.9	00:30
CA	CPI Core- Trim (y/y%)	Apr	2.8	2.8	00:30
EC	Consumer Confidence	May P	-16	-16.7	02:00

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	0.5919	+0.6	0.5889	0.5933	CHF	0.8352	-0.3	S&P 500	5,958	+0.0	12.3	Oil (Brent)	65.06	-0.5
AUD	0.6450	+0.7	0.6410	0.6465	SEK	9.700	-0.8	Dow	42,750	+0.2	6.9	Oil (WTI)	62.39	-0.2
EUR	1.1228	+0.6	1.1206	1.1288	NOK	10.318	-0.6	Nasdaq	19,179	-0.2	14.9	Gold	3228.3	+1.3
GBP	1.3347	+0.5	1.3320	1.3404	HKD	7.822	+0.1	Stoxx 50	5,427	-0.0	7.2	HRC steel	895.0	+0.0
JPY	145.06	-0.4	144.67	145.22	CNY	7.215	+0.0	FTSE	8,699	+0.2	3.3	CRB	296.1	+0.1
CAD	1.3963	-0.0			SGD	1.295	-0.4	DAX	23,935	+0.7	28.0	Wheat Chic.	542.3	+0.6
NZD/AUD	0.9177	-0.1			IDR	16,434	-0.1	CAC 40	7,884	-0.0	-3.5	Sugar	17.45	-0.2
NZD/EUR	0.5272	+0.1			THB	33.14	-0.7	Nikkei	37,499	-0.7	-4.0	Cotton	65.75	+1.3
NZD/GBP	0.4435	+0.2			KRW	1,390	-0.7	Shanghai	3,368	+0.0	6.2	Coffee	374.7	+2.6
NZD/JPY	85.86	+0.2			TWD	30.16	+0.1	ASX 200	8,295	-0.6	5.5	WM powder	4390	+0.6
NZD/CAD	0.8265	+0.6			PHP	55.70	+0.1	NZX 50	12,629	-1.2	7.6	Australian Futures		
NZ TWI	68.90	+0.3						VIX Index	18.09	+4.9	+50.9	3 year bond	96.35	-0.04
Interest Rates												10 year bond 95.53 0.04		
	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	3.77	3.94	USD	4.48 0.00	15-Apr-27	3.37	0.05	BKBM 1-mth	3.44	-0.02		
AUD	4.10	3.81	3.50	4.34	AUD	4.52 0.07	15-May-28	3.58	0.04	BKBM 3-mth	3.33	-0.01		
NZD	3.50	3.33	3.23	4.18	NZD	4.68 0.08	20-Apr-29	3.77	0.05	1 year	3.17	0.02		
EUR	2.25	2.10	2.01	2.54	GER	2.59 -0.00	15-May-30	3.98	0.05	2 year	3.23	0.04		
GBP	4.25	4.57	3.83	4.14	GBP	4.66 0.02	15-May-31	4.19	0.06	3 year	3.36	0.04		
JPY	0.48	-0.03	0.71	1.23	JPY	1.49 0.03	15-May-32	4.36	0.06	5 year	3.64	0.05		
CAD	2.75	4.97	2.38	2.91	CAD	3.17 0.02	14-Apr-33	4.48	0.07	7 year	3.89	0.06		
							15-May-34	4.59	0.07	10 year	4.18	0.06		
							15-May-35	4.68	0.08	15 year	4.45	0.07		
							15-May-36	4.78	0.08	NZ Inflation-Indexed Bonds				
							15-May-37	4.90	0.08	Sep-30	2.17	0.08		
							15-May-41	5.14	0.08	Sep-35	2.81	0.08		
							15-May-51	5.33	0.08	Sep-40	3.13	0.08		
							15-May-54	5.37	0.08					

NZD exchange rates

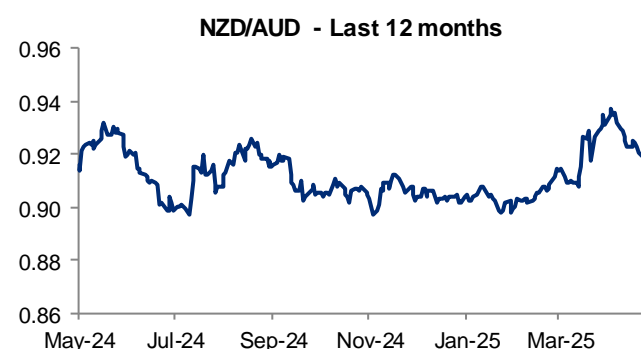
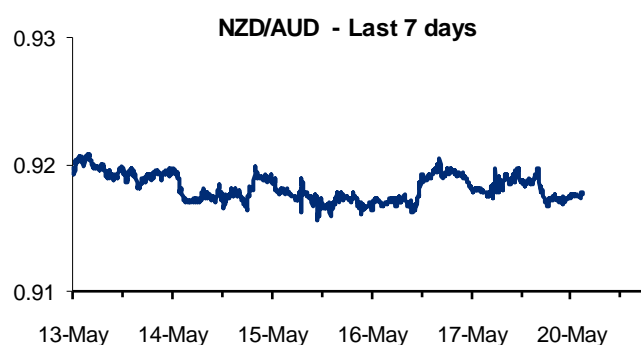
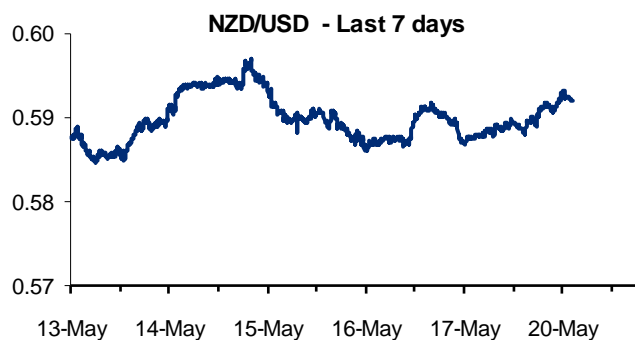
20/05/2025	6:11 am	Prev. NY close
USD	0.5919	0.5881
GBP	0.4435	0.4427
AUD	0.9177	0.9180
EUR	0.5272	0.5268
JPY	85.86	85.69
CAD	0.8265	0.8215
CHF	0.4944	0.4926
DKK	3.9323	3.9307
FJD	1.3404	1.3387
HKD	4.6296	4.5956
INR	50.55	50.29
NOK	6.1073	6.1037
PKR	166.76	165.53
PHP	32.95	32.72
PGK	2.4449	2.4043
SEK	5.7413	5.7493
SGD	0.7667	0.7648
CNY	4.2704	4.2423
THB	19.57	19.55
TOP	1.3891	1.3747
VUV	72.22	71.46
WST	1.6432	1.6300
XPF	63.04	62.91
ZAR	10.7062	10.6119

NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	6.08	6.27
3 Months	18.39	18.94
6 Months	38.01	39.15
9 Months	53.15	55.36
1 Year	63.08	67.02

NZD/AUD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	5.41	5.90
3 Months	16.88	18.07
6 Months	33.24	36.10
9 Months	45.17	50.88
1 Year	53.41	63.89



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