

Research Markets Today

21 May 2025

Events Round-Up

AU: RBA Cash Rate Target, May: 3.85 vs. 3.85 exp.

CA: CPI (y/y%), Apr: 1.7 vs. 1.6 exp.

CA: CPI Core- Median (y/y%), Apr: 3.2 vs. 2.9 exp.

CA: CPI Core- Trim (y/y%), Apr: 3.1 vs. 2.8 exp.

EC: Consumer Confidence, May P: -15.2 vs. -16 exp.

Good morning

Global equity markets are generally higher with decent gains across European and Asian indices. However, US equities are little changed, and consolidating near the recent highs, after a strong rally over the past month. Government bond curves have continued to steepen, particularly at the longer end of the yield curve, with a large selloff in Japan after a weak bond auction. The US dollar is generally softer against G10 currencies, though the AUD underperformed after the central bank meeting.

There was limited economic data to provide the market with direction. Front end US treasuries are modestly lower in yield and the curve steepened. Long end treasury yields moved higher as 30-year yields are approaching 5.0% again. Ongoing US budget negotiations have kept the focus on the fiscal deficit, particularly after the credit rating downgrade by Moody's Ratings, at the end of last week.

Weak demand in the 20-year Japanese Government bond (JGB) auction, which saw the lowest bid-cover ratio since August 2012, contributed to a large selloff in longer end bonds. Yields have surged since early April, on concerns about rising government spending, and the Bank of Japan's retreat from the market. 30-year yields are trading above 3.0% which is the highest level in at least twenty-five years. The Bank of Japan is holding meetings with market participants to gauge views on quantitative tightening, ahead of its June meeting, given the market volatility.

The Reserve Bank of Australia (RBA) reduced its policy rate by 25bp to 3.85% which was in line with expectations and fully discounted by market pricing. The Bank sounded cautious about the policy outlook given the uncertain global macro backdrop. Updated forecasts showed underlying inflation easing slightly more quickly to the mid-point of its target range and Governor Bullock said the board debated a potential 50bp cut.

The AUD fell sharply as the market priced additional RBA easing for this year. NZD/AUD jumped from 0.9185 to 0.9220 and has maintained the gain. The Australasian currencies are little changed in offshore trade set against the backdrop of a broadly weaker US dollar. The NZD is modestly weaker against the euro and pound.

The Canadian dollar gained after stronger than expected CPI data. Both the weighted median and trimmed mean measures of core inflation, reached the highest level in over a year, and contributed to the market trimming the amount of easing priced for the Bank of Canada.

Yields across NZ fixed income retraced lower in the local session yesterday reflecting moves in offshore markets. The price action was a complete unwind of the move in the previous session on Monday. There were limited domestic catalysts. 2-swap rates closed 2bp lower at 3.21%. The curve flattened. 10-year swap rates ended the day 5bp lower at 4.13%.

NZ government bonds also moved lower in yield with a flattening bias. 10-year NZGB yields declined 3bps to 4.65%. 10-year asset swap spreads have widened to +53bp, perhaps reflecting some investor caution ahead of the Budget on Thursday. Australian 10-year bond futures are ~9bp lower in yield terms, since the local close yesterday, which captures the period after the RBA. This suggests a downward bias for NZ yields on the open.

Turning to the day ahead, the only domestic data of note is the trade balance for April and the regional economic calendar is also quiet. UK CPI data for April is released later this evening and is expected to show a sharp pickup in the headline reading, relative to the previous month. The forecast increase is being driven by higher utilities and an increase in minimum wages and national insurance costs. Core inflation is also expected to move higher.

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Coming Up

		Period	Cons.	Prev.	NZT
NZ	Trade Balance 12 Mth YTD NZD	Apr		-6133	10:45
UK	CPI YoY	Apr	3.3	2.6	18:00
UK	CPI Core YoY	Apr	3.6	3.4	18:00

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	0.5916	-0.3	0.5894	0.5931	CHF	0.8294	-0.6	S&P 500	5,943	-0.3	12.0	Oil (Brent)	65.39	-0.2
AUD	0.6417	-0.6	0.6392	0.6426	SEK	9.652	-0.4	Dow	42,611	-0.5	7.0	Oil (WTI)	62.57	-0.2
EUR	1.1279	+0.3	1.1224	1.1280	NOK	10.264	-0.4	Nasdaq	19,114	-0.6	13.8	Gold	3289.2	+1.7
GBP	1.3382	+0.2	1.3335	1.3395	HKD	7.827	+0.1	Stoxx 50	5,455	+0.5	7.5	HRC steel	893.0	-0.2
JPY	144.57	-0.2	144.10	144.97	CNY	7.217	+0.0	FTSE	8,781	+0.9	4.2	CRB	296.2	+0.0
CAD	1.3928	-0.2			SGD	1.295	+0.0	DAX	24,036	+0.4	28.1	Wheat Chic.	560.5	+3.1
NZD/AUD	0.9219	+0.4			IDR	16,413	-0.1	CAC 40	7,942	+0.7	-3.1	Sugar	17.34	-0.2
NZD/EUR	0.5245	-0.6			THB	32.88	-0.8	Nikkei	37,529	+0.1	-3.6	Cotton	66.13	+0.7
NZD/GBP	0.4421	-0.4			KRW	1,394	+0.3	Shanghai	3,380	+0.4	7.0	Coffee	369.3	-1.5
NZD/JPY	85.53	-0.4			TWD	30.17	+0.0	ASX 200	8,343	+0.6	6.3	WM powder	4350	-0.9
NZD/CAD	0.8240	-0.4			PHP	55.62	-0.1	NZX 50	12,644	+0.1	8.3	Australian Futures		
NZ TWI	68.88	-0.2						VIX Index	17.95	-1.0	+47.7	3 year bond	96.52	0.17
Interest Rates											10 year bond 95.61 0.08			
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	3.74	3.93	USD	4.47	0.03	15-Apr-27	3.36	-0.01	BKBM 1-mth	3.43	-0.01	
AUD	4.10	3.79	3.31	4.26	AUD	4.40	-0.12	15-May-28	3.58	-0.00	BKBM 3-mth	3.32	-0.01	
NZD	3.50	3.32	3.21	4.13	NZD	4.66	-0.03	20-Apr-29	3.76	-0.01	1 year	3.16	-0.00	
EUR	2.25	2.08	2.00	2.57	GER	2.61	0.02	15-May-30	3.96	-0.02	2 year	3.21	-0.02	
GBP	4.25	4.57	3.86	4.19	GBP	4.70	0.04	15-May-31	4.17	-0.02	3 year	3.33	-0.03	
JPY	0.48	-0.03	0.72	1.26	JPY	1.51	0.02	15-May-32	4.34	-0.02	5 year	3.60	-0.03	
CAD	2.75	4.97	2.48	3.03	CAD	3.29	0.12	14-Apr-33	4.45	-0.02	7 year	3.85	-0.04	
								15-May-34	4.56	-0.03	10 year	4.13	-0.05	
								15-May-35	4.66	-0.03	15 year	4.39	-0.05	
								15-May-36	4.76	-0.03	NZ Inflation-Indexed Bonds			
								15-May-37	4.88	-0.03	Sep-30	2.14	-0.02	
								15-May-41	5.12	-0.03	Sep-35	2.78	-0.02	
								15-May-51	5.30	-0.03	Sep-40	3.11	-0.02	
								15-May-54	5.34	-0.03				
* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer														
Rates are as of: NZT 06:26														
Source: Bloomberg														
					Policy Meeting Run									
					NZD	AUD	USD							
					1st	3.25	3.84	4.33						
					2nd	3.06	3.68	4.31						
					3rd	2.92	3.43	4.25						
					4th	2.85	3.36	4.11						
					5th	2.83	3.25	3.97						

NZD exchange rates

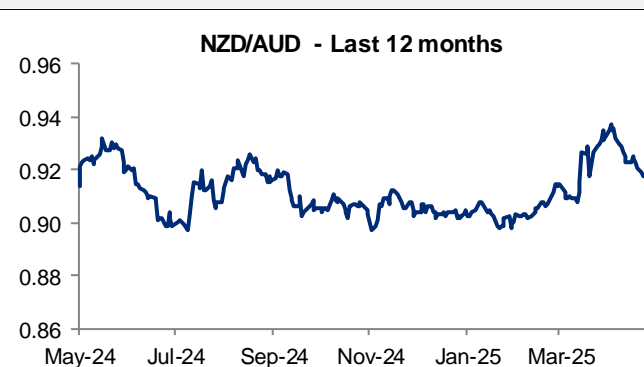
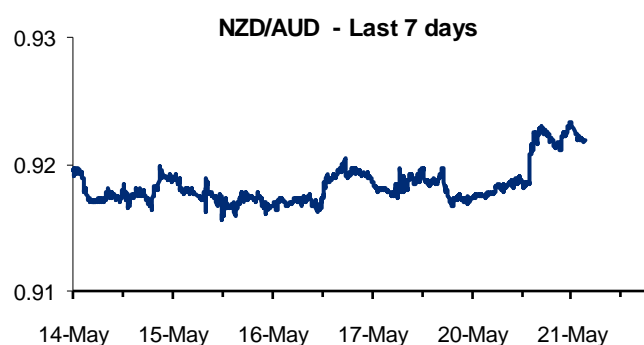
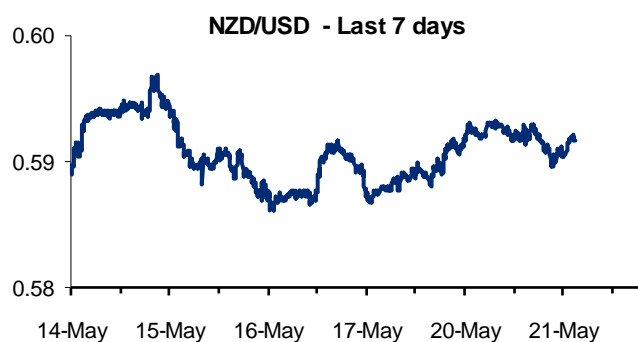
21/05/2025	6:26 am	Prev. NY close
USD	0.5916	0.5931
GBP	0.4421	0.4439
AUD	0.9219	0.9185
EUR	0.5245	0.5277
JPY	85.53	85.92
CAD	0.8240	0.8274
CHF	0.4907	0.4949
DKK	3.9125	3.9359
FJD	1.3436	1.3467
HKD	4.6307	4.6389
INR	50.66	50.65
NOK	6.0724	6.1150
PKR	166.77	166.94
PHP	32.90	33.02
PGK	2.3951	2.4179
SEK	5.7098	5.7462
SGD	0.7661	0.7679
CNY	4.2696	4.2785
THB	19.56	19.61
TOP	1.3813	1.4021
VUV	71.82	72.21
WST	1.6393	1.6467
XPF	62.96	63.17
ZAR	10.5995	10.7270

NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	5.92	6.12
3 Months	18.54	19.03
6 Months	38.39	39.41
9 Months	53.23	55.41
1 Year	64.06	67.69

NZD/AUD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	5.21	5.72
3 Months	15.57	16.89
6 Months	28.12	31.11
9 Months	35.50	41.79
1 Year	40.19	51.53



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