

Research Markets Today

21 May 2026

Events Round-Up

UK: CPI (y/y%), Apr: 2.8 vs. 3.0 exp.

UK: CPI core (y/y%), Apr: 2.5 vs. 2.6 exp.

UK: CPI services (y/y%), Apr: 3.2 vs. 3.5 exp.

Good Morning

Risk sentiment improved on hopes that the Middle East conflict is nearing an end, supported by comments from President Trump and signs of increased traffic through the Strait of Hormuz. Brent crude plunged 6% to USD105, global rates have fallen notably, and US and European equities are significantly stronger. The USD is broadly stronger overall, and the NZD and AUD have outperformed, with the NZD recovering to 0.5870.

President Trump said the US is in the “final stages” with Iran, according to a White House pool report citing remarks to reporters. He added, “we’ll see what happens with Iran”. A deal will be made or “we’re going to do some things that are a bit nasty, but hopefully that won’t happen”. A spokesperson for Pakistan’s foreign ministry said the country’s interior minister is in Iran “to facilitate the exchange of messages” between the US and Iran. Iran is currently reviewing the latest text from the US.

There are reports that two Chinese very large crude carriers carrying Iraqi oil, along with a supertanker carrying Kuwaiti oil to South Korea, passed through the Strait of Hormuz after coordinating passage via permits from the Islamic Revolutionary Guard Corps navy. It remains to be seen whether they make it through the US blockade, but this fits a pattern of an increasing number of non-Iranian oil ships passing through the Strait over the past couple of weeks.

The market is taking these signals as positive, hoping the conflict will soon be resolved, driving down oil prices and lifting risk sentiment across markets. Subsequent comments from Trump that sounded less hopeful that much had changed—such as “more fighting to come unless Iran gets smart”—had only a small impact on the market.

Equity markets are stronger, with the Euro Stoxx 600 index closing up 1.5% for a third consecutive gain, supported in part by the EU finalising the text of its long-delayed trade deal with the US. The US S&P 500 is currently up 1%, while

the Nasdaq is up 1.4%. Nvidia reports earnings after the close.

Equity market gains have been fuelled by a significant rally in bond markets, with lower yields reversing some of the recent alarming price action. US Treasury yields are down 6-10bps across the curve on the day. The 10-year rate is currently 4.57%, down 9bps from the NZ close. The market has also pared back the extent of rate hikes priced for the Fed over the coming year.

The release of the Fed minutes from the end-April meeting had little impact on the market. A majority of officials warned that the central bank would likely need to consider raising interest rates if inflation continued to run persistently above its 2% target. Many officials also called for the Fed to drop its easing bias and signal that its next move could be an interest rate increase. This language would accurately describe current market expectations.

European markets have seen even larger falls in yields, with German 2- and 10-year rates down 10bps and the 30-year rate down 7bps, alongside similar moves across other countries.

UK rates fell even more, down 13-14bps across the curve. UK annual CPI inflation measures fell in April by more than expected. The headline rate declined to 2.8% from 3.3%, the core rate declined to 2.5% y/y from 3.1%, while the services CPI fell to 3.2% from 4.5%. While these figures run against the grain of higher global inflation driven by the conflict, the UK data were distorted by government subsidies and charges from Budget measures that affected April figures in both 2026 and 2025. Inflation is expected to rise again from next month, but the lower-than-expected figures were nonetheless welcomed by the market. Pricing for BoE rate hikes was pared back, with 47bps priced by year-end, down from 61bps yesterday.

Higher risk appetite has driven overnight outperformance in the NZD and AUD against the backdrop of a broadly weaker USD. After trading as low as 0.5815 yesterday afternoon, the NZD has recovered to 0.5870, following another failed attempt to break above 0.5890 overnight, as seen earlier this week. The AUD has recovered to 0.7160, while the NZD/AUD cross has tracked sideways and sits just above 0.82. Other NZD crosses are modestly higher.

Global forces drove NZ rates higher yesterday, led by the long end and resulting in steeper curves. NZGB rates were

up 3-6bps, with the 10-year rate rising 6bps to close at 4.80%. The 2-year swap rate closed up 3bps at 3.64%, while the 10-year swap rate rose 5bps to 4.46%.

On the economic calendar, NZ trade and Australian labour market data are released today, with the latter expected to show the unemployment rate holding steady at 4.3%. Tonight brings PMI data for Europe, the UK and the US, along with second-tier US data.

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Coming Up

		Period	Cons.	Prev.	NZT
NZ	Trade balance (ann \$b)	Apr	-3.2	10:45	
AU	Employment change (k)	Apr	15	18	13:30
AU	Unemployment rate (%)	Apr	4.3	4.3	13:30
GE	Manufacturing PMI	May	51	51.4	19:30
GE	Services PMI	May	47	46.9	19:30
EA	Manufacturing PMI	May	51.8	52.2	20:00
EA	Services PMI	May	47.8	47.6	20:00
UK	Manufacturing PMI	May	53	53.7	20:30
UK	Services PMI	May	51.7	52.7	20:30
US	Initial jobless claims (k)	16-May	210	211	00:30
US	Phily Fed business outlook	May	17.8	26.7	00:30
US	Housing starts (k)	Apr	1420	1502	00:30
US	Building permits (k)	Apr	1383	1363	00:30
US	Manufacturing PMI	May	53.8	54.5	01:45
US	Services PMI	May	51.1	51	01:45
EA	Consumer confidence	May	-20.6	-20.6	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	0.5871	+0.6	0.5833	0.5888	CHF	0.7872	-0.2	S&P 500	7,421	+0.9	24.9	Oil (Brent)	104.72	-5.9
AUD	0.7156	+0.7	0.7103	0.7174	SEK	9.336	-0.7	Dow	49,916	+1.1	17.0	Oil (WTI)	97.91	-6.0
EUR	1.1628	+0.2	1.1583	1.1645	NOK	9.260	-0.1	Nasdaq	26,203	+1.3	36.9	Gold	4544.3	+0.7
GBP	1.3441	+0.4	1.3375	1.3463	HKD	7.833	-0.0	Stoxx 50	5,976	+2.1	9.6	HRC steel	1080.0	+0.0
JPY	158.85	-0.1	158.60	159.17	CNY	6.800	-0.2	FTSE	10,432	+1.0	18.8	CRB	406.2	+0.1
CAD	1.3748	+0.0			SGD	1.278	-0.4	DAX	24,737	+1.4	2.9	Wheat Chic.	674.0	-0.9
NZD/AUD	0.8204	-0.1			IDR	17,654	-0.3	CAC 40	8,117	+1.7	2.2	Sugar	14.73	-1.9
NZD/EUR	0.5049	+0.4			THB	32.58	-0.4	Nikkei	59,804	-1.2	60.3	Cotton	81.60	-1.1
NZD/GBP	0.4368	+0.3			KRW	1,497	-0.7	Shanghai	4,162	-0.2	23.1	Coffee	268.3	-0.7
NZD/JPY	93.26	+0.5			TWD	31.66	-0.0	ASX 200	8,497	-1.3	1.3	WM powder	3770	-1.3
NZD/CAD	0.8071	+0.6			PHP	61.72	-0.0	NZX 50	12,761	-1.6	0.5	Australian Futures		
NZ TWI	66.71	+0.3						VIX Index	17.53	-2.9	-3.1	3 year bond	95.31	-0.01
												10 year bond	94.98	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	3.90	4.16	USD	4.58	-0.09	15-May-28	3.70	0.03	BKBM 1-mth	2.47	0.00
AUD	4.35	4.45	4.67	5.09	AUD	5.07	0.01	20-Apr-29	3.92	0.04	BKBM 3-mth	2.65	-0.00
NZD	2.25	2.65	3.64	4.46	NZD	4.80	0.06	15-May-30	4.11	0.04	1 year	3.19	0.02
EUR	2.00	2.20	2.87	3.13	GER	3.10	-0.10	15-May-31	4.29	0.05	2 year	3.64	0.03
GBP	3.75	3.87	4.25	4.57	GBP	4.99	-0.14	15-May-32	4.44	0.05	3 year	3.84	0.03
JPY	0.74	-0.03	1.44	2.52	JPY	2.78	-0.01	14-Apr-33	4.53	0.05	5 year	4.09	0.04
CAD	2.25	4.97	2.82	3.35	CAD	3.58	-0.12	15-May-34	4.62	0.05	7 year	4.26	0.05
								15-May-35	4.72	0.06	10 year	4.46	0.05
								15-May-36	4.80	0.06	15 year	4.69	0.05
								15-May-37	4.89	0.06			
								15-May-41	5.15	0.06	NZ Inflation-Indexed Bonds		
								15-May-51	5.36	0.06	Sept-30	1.60	0.01
								15-May-54	5.36	0.05	Sept-35	2.40	0.01
											Sept-40	2.86	0.01

Carbon Price				Policy Meeting Run			
	Level	% Day	% Year	NZD	AUD	USD	
NZU	52.50	-0.5	-2.8	1st	2.32	4.40	3.63
				2nd	2.49	4.55	3.66
				3rd	2.71	4.59	3.70
				4th	2.87	4.66	3.73
				5th	3.09	4.68	3.79

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

Rates are as of: NZT 06:45

Source: Bloomberg

NZD exchange rates

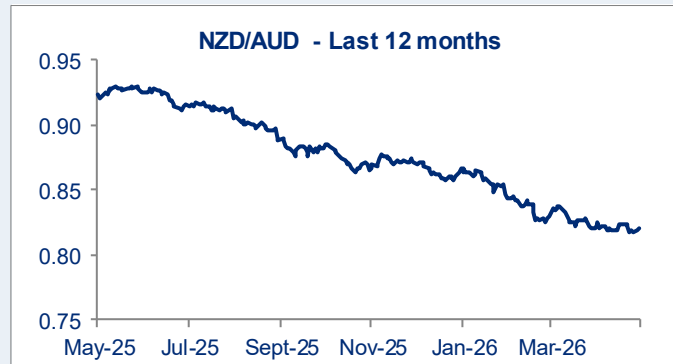
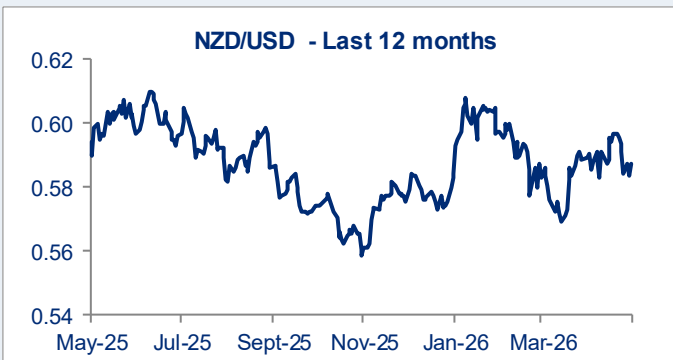
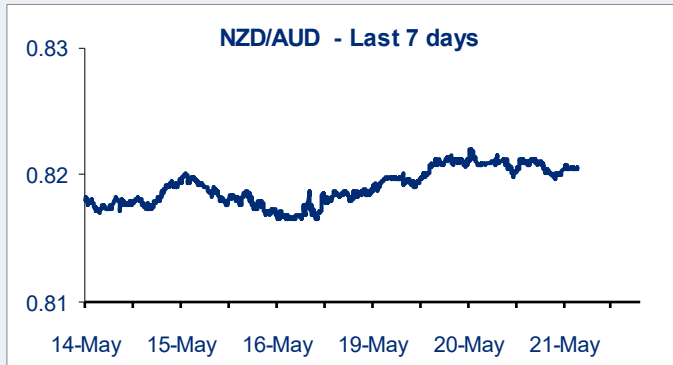
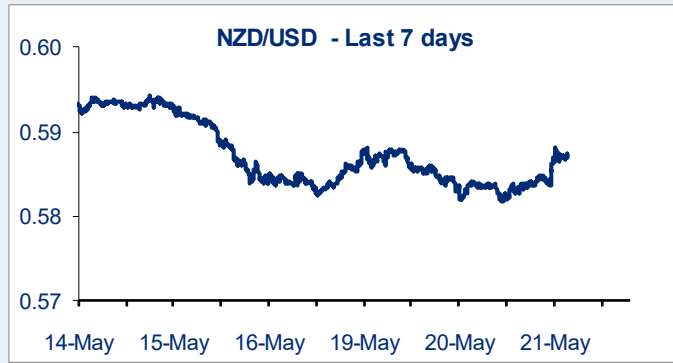
21/05/2026	6:46 am	Prev. NY close
USD	0.5871	0.5836
GBP	0.4368	0.4357
AUD	0.8204	0.8212
EUR	0.5049	0.5029
JPY	93.26	92.83
CAD	0.8071	0.8022
CHF	0.4623	0.4605
DKK	3.7749	3.7577
FJD	1.2917	1.2840
HKD	4.5988	4.5715
INR	56.85	56.34
NOK	5.4399	5.4107
PKR	163.54	162.60
PHP	36.24	36.03
PGK	2.5582	2.5429
SEK	5.4843	5.4877
SGD	0.7503	0.7484
CNY	3.9919	3.9764
THB	19.19	19.05
TOP	1.3550	1.3661
VUV	69.59	69.03
WST	1.5738	1.5596
XPF	60.05	59.87
ZAR	9.6756	9.7490

NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	5.61	5.84
3 Months	16.33	16.88
6 Months	28.62	29.76
9 Months	37.30	39.12
1 Year	42.29	44.84

NZD/AUD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	12.97	13.44
3 Months	38.96	40.25
6 Months	74.66	77.25
9 Months	105.31	109.43
1 Year	128.75	134.66



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