

Research Markets Today

22 May 2025

Events Round-Up

NZ: Trade Bal. 12 Mth YTD \$NZbn, Apr: -4.8 vs. -6.2 prev.
UK: CPI YoY, Apr: 3.5 vs. 3.3 exp.
UK: CPI Core YoY, Apr: 3.8 vs. 3.6 exp.

Good morning

Concerns about rising US debt and budget deficits has contributed to further rise in US treasury yields. 30-year bonds are trading back above 5.0%. Rising yields have weighed on the S&P which is down close to 1%. Currency markets were subdued overall. The jump in oil prices in Asian trade, linked to a CNN reported that US intelligence had suggested Israel is preparing to strike Iranian nuclear facilities, has fully retraced. Brent crude is trading around US\$65 per barrel.

Mike Johnson, Speaker of the US House of Representatives said he had reached an agreement to press ahead with Donald Trump's showpiece fiscal legislation. The proposed tax cuts are raising concerns from economists about the US's fiscal position and there are signs of anxiety in the bond markets about the country's debt burden. Former US Treasury Secretary Mnuchin said he is more alarmed by the fiscal deficit than its trade imbalances and urged policymakers to prioritise fiscal repair.

US treasury yields which has been steadily moving higher, spiked after a weak 20-year bond auction. The US\$16 billion auction tailed by more than 1bp and had a weak bid-cover ratio, despite yields being above 5.0%. It is the first auction since the Moody's downgrade at the end of last week. The closely watched 30-year treasury yield increased 11bp and has made fresh highs for the year at 5.08%. The selloff has been led by the longer maturities with the curve steepening.

UK headline CPI increased to 3.5%, the highest level in a year, and was above consensus estimates due in part to utilities prices. Core inflation was also stronger than expected at 3.8%. Services inflation, which is closely watched by the Bank of England (BOE) as a measure of underlying price pressures increased 5.4%. The BOE expects headline inflation will peak at 3.7% in September and will be closely monitoring second-round effects.

The market pared expectations for BOE easing for this year. There is now 38bp of easing priced by December, down from 42bp ahead of the data. The data contributed to higher gilt yields, and the pound reached a three year high against the US dollar.

After falling the Asian session yesterday, the US dollar was little changed on the major cross rates overnight, despite the moves in equity and bond markets. There have been small absolute changes for the Australasian currencies as well compared with the local close yesterday. NZD/USD traded above 0.5960 but has since pulled back.

An initial rally across NZ fixed income in the local session yesterday faded quickly. 2-year swap rates dipped 5bp on the open to 3.15%, reflecting large post-RBA rally in AUD rates, that happened after the local close on Tuesday. However, rates reversed higher to close at 3.20%. The curve steepened with 10-year rates up 3bp to 4.15%.

Price action was similar in NZGBs with 10-year bond yields ending 3bp higher at 4.68%. The weekly government bond tender has been rescheduled to tomorrow given the timing of the Budget today. Australian 10-year bond futures are ~6bp higher in yield terms, since the local close yesterday, which suggests an upward bias for NZ yields on the open.

The Budget will be the main domestic focus in the day ahead. Finance Minister Willis has indicated that the Treasury will maintain previous forecasts of a small fiscal surplus by fiscal year 2029. Market attention will centre on the updated bond programme and particularly the gross issuance for 2025/26, which was forecast at NZ\$40 billion at the half year update in December.

Preliminary PMIs are released this evening for European countries, which alongside Germany's Ifo survey, will provide an update on the economic impact of US tariff announcements on activity and inflation. Advance PMIs are also released in the US along with weekly jobless claims.

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Coming Up

	Period	Cons.	Prev.	NZT
NZ Budget				14:00
GE Manufacturing PMI	May P	48.8	48.4	19:30
GE Services PMI	May P	49.5	49	19:30
GE IFO Expectations	May	88	87.4	20:00
EC Manufacturing PMI	May P	49.2	49	20:00
EC Services PMI	May P	50.5	50.1	20:00
UK Manufacturing PMI	May P	46.1	45.4	20:30
UK Services PMI	May P	50	49	20:30
US Initial Jobless Claims (k)	17 May	230	229	0:30
US Manufacturing PMI	May P	49.8	50.2	1:45
US Services PMI	May P	51	50.8	1:45
US Existing Home Sales (m/m%)	Apr	1.99	-5.9	2:00

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	0.5950	+0.4	0.5924	0.5968	CHF	0.8241	-0.5	S&P 500	5,871	-1.1	10.3	Oil (Brent)	64.90	-0.8
AUD	0.6444	+0.3	0.6436	0.6469	SEK	9.560	-0.8	Dow	41,917	-1.7	5.1	Oil (WTI)	61.57	-0.8
EUR	1.1341	+0.5	1.1313	1.1363	NOK	10.163	-0.9	Nasdaq	18,911	-1.1	12.3	Gold	3315.2	+0.9
GBP	1.3433	+0.3	1.3389	1.3453	HKD	7.832	+0.1	Stoxx 50	5,454	-0.0	8.1	HRC steel	903.0	+1.1
JPY	143.52	-0.7	143.29	144.19	CNY	7.202	-0.2	FTSE	8,786	+0.1	4.4	CRB	298.2	+0.7
CAD	1.3841	-0.5			SGD	1.289	-0.5	DAX	24,122	+0.4	28.8	Wheat Chic.	563.5	+0.8
NZD/AUD	0.9233	+0.1			IDR	16,399	-0.1	CAC 40	7,910	-0.4	-2.8	Sugar	17.70	+2.3
NZD/EUR	0.5246	-0.1			THB	32.68	-0.7	Nikkei	37,299	-0.6	-3.4	Cotton	66.06	-0.1
NZD/GBP	0.4429	+0.1			KRW	1,371	-1.6	Shanghai	3,388	+0.2	7.3	Coffee	370.3	-0.2
NZD/JPY	85.39	-0.2			TWD	30.16	-0.0	ASX 200	8,387	+0.5	6.9	WM powder	4080	-1.6
NZD/CAD	0.8235	-0.1			PHP	55.66	+0.1	NZX 50	12,703	+0.5	8.3	Australian Futures		
NZ TWI	69.02	+0.1						VIX Index	19.93	+10.2	+68.0	3 year bond	96.51	-0.01
Interest Rates												10 year bond	95.50	-0.11
	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	3.78	4.02	USD	4.59	0.10	15-Apr-27	3.37	0.01	BKBM 1-mth	3.43	0.00	
AUD	3.85	3.73	3.37	4.37	AUD	4.45	0.05	15-May-28	3.58	0.00	BKBM 3-mth	3.31	-0.01	
NZD	3.50	3.31	3.20	4.15	NZD	4.68	0.03	20-Apr-29	3.77	0.01	1 year	3.15	-0.01	
EUR	2.25	2.06	2.02	2.60	GER	2.65	0.04	15-May-30	3.97	0.01	2 year	3.20	-0.01	
GBP	4.25	4.56	3.89	4.24	GBP	4.76	0.05	15-May-31	4.18	0.01	3 year	3.32	-0.01	
JPY	0.48	-0.03	0.71	1.27	JPY	1.53	0.02	15-May-32	4.36	0.02	5 year	3.60	0.00	
CAD	2.75	4.97	2.55	3.12	CAD	3.39	0.10	14-Apr-33	4.47	0.02	7 year	3.87	0.02	
								15-May-34	4.58	0.02	10 year	4.15	0.03	
								15-May-35	4.68	0.03	15 year	4.42	0.03	
								15-May-36	4.79	0.03	NZ Inflation-Indexed Bonds			
								15-May-37	4.91	0.04	Sep-30	2.15	0.00	
								15-May-41	5.16	0.04	Sep-35	2.78	0.00	
								15-May-51	5.35	0.04	Sep-40	3.11	0.00	
								15-May-54	5.38	0.04				

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

Rates are as of NZT 06:24

Source: Bloomberg

NZD exchange rates

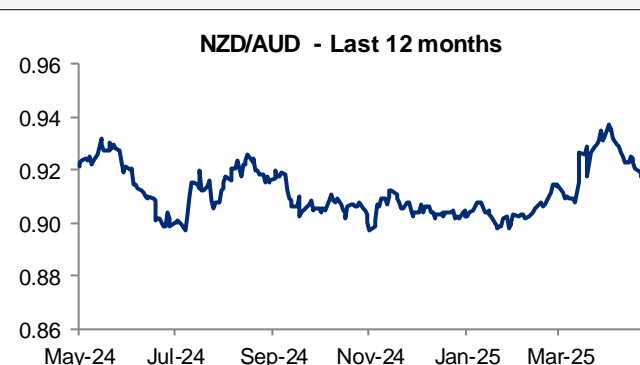
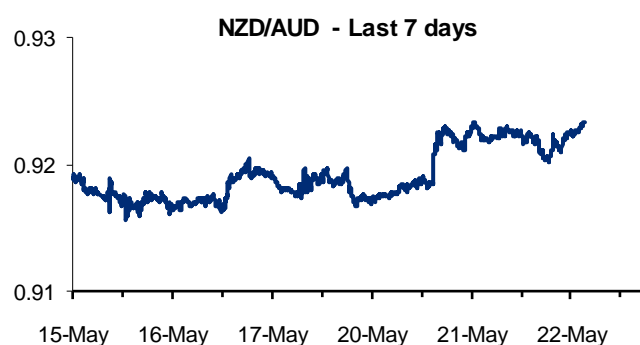
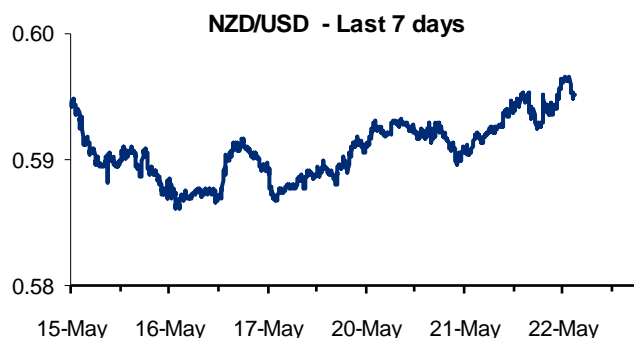
22/05/2025	6:24 am	Prev. NY close
USD	0.5950	0.5926
GBP	0.4429	0.4425
AUD	0.9233	0.9225
EUR	0.5246	0.5252
JPY	85.39	85.64
CAD	0.8235	0.8247
CHF	0.4903	0.4909
DKK	3.9141	3.9175
FJD	1.3477	1.3465
HKD	4.6599	4.6381
INR	50.96	50.75
NOK	6.0471	6.0788
PKR	167.73	166.80
PHP	33.11	32.96
PGK	2.4148	2.3982
SEK	5.6881	5.7142
SGD	0.7667	0.7675
CNY	4.2849	4.2768
THB	19.51	19.59
TOP	1.3892	1.3836
VUV	72.27	71.93
WST	1.6322	1.6441
XPF	63.15	63.03
ZAR	10.6777	10.6203

NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	5.87	6.07
3 Months	19.27	19.82
6 Months	38.99	40.11
9 Months	54.39	56.86
1 Year	65.57	69.43

NZD/AUD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	5.36	5.84
3 Months	16.27	17.51
6 Months	29.44	32.49
9 Months	38.10	44.69
1 Year	43.32	54.52



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