

Research Markets Today

23 May 2025

Events Round-Up

GE: Manufacturing PMI, May P: 48.8 vs. 48.8 exp.
 GE: Services PMI, May P: 47.2 vs. 49.5 exp.
 GE: IFO Expectations, May: 88.9 vs. 88 exp.
 EC: Manufacturing PMI, May P: 49.4 vs. 49.2 exp.
 EC: Services PMI, May P: 48.9 vs. 50.5 exp.
 UK: Manufacturing PMI, May P: 45.1 vs. 46.1 exp.
 UK: Services PMI, May P: 50.2 vs. 50 exp.
 US: Initial Jobless Claims, May 17: 227 vs. 230 exp.
 US: Manufacturing PMI, May P: 52.3 vs. 49.9 exp.
 US: Services PMI, May P: 52.3 vs. 51 exp.
 US: Existing Home Sales MoM, Apr: -0.5 vs. 1.99 exp.

Good morning

US equities have traded higher, as treasury yields retraced from the recent highs, and economic data suggested the economy remained resilient in the face of tariff uncertainty. The US House of Representatives passed Donald Trump's tax bill which would cut taxes, reduce social spending and increase federal debt. The Euro Stoxx index closed 0.5% lower. Oil prices are little changed. Brent crude is trading near US\$64 per barrel despite reports OPEC+ is considering further output hikes.

US manufacturing and service sector PMIs were both higher than consensus estimates. The composite index rose to 52.1 in May, up from 50.6 in April. The surveys suggest resilience despite the turmoil created by uncertainty about US economic policy. The responses likely reflect the improvement in sentiment after the de-escalation in US-China trade tensions.

Fed Governor Waller said he expects the impact on inflation from tariffs to be temporary, and the central bank could cut rates in the second half of year, if tariffs settle around 10%. He also added a return to higher import levies would have a much bigger impact on inflation and constrain the Fed's ability to lower short term rates.

US treasuries recovered from an initial selloff, which saw 30-year yields surge to 5.15% after President Trump's tax bill passed in the House. Fiscal concerns and the prospect of elevated supply continue to contribute to bond market volatility. The move to the yield highs was short lived and

long bond yields have retraced close to 10bp. 10-year treasury yields are 5bp lower at 4.55%.

Euro-area PMIs point towards subdued economic activity. The composite index dropped to 49.5, from 50.4 in May. The weakness was primarily seen in the service sector and suggests economic uncertainty is weighing on activity. The market is pricing a 95% chance of a 25bp rate cut at the June ECB meeting, and around 50bp of easing by the end of the year.

The US dollar made broad based gains against G10 currencies with the soft PMI readings weighing on EUR/USD. The yen largely matched the decline in the euro. There was limited lasting impact from a statement by US and Japanese finance officials, that USD/JPY level reflect fundamentals, and exchange rates should be market determined. NZD/USD has traded back towards 0.5900 overnight in line with the broader US dollar move. The NZD is weaker against the pound, but otherwise little changed on the other major cross rates.

The Budget Economic and Fiscal Update was the focus for NZ fixed income in the local session yesterday. The updated NZGB borrowing programme increased by a modest NZ\$4 billion over the forecast horizon. The 2025/26 programme was revised to NZ\$38 billion, NZ\$2 billion below the HYEPU projection. NZ Debt management (NZDM) expects to undertake four syndications in 2025/26, including three taps of existing nominal lines, and a new 2050 inflation-indexed bond.

A pre-Budget selloff in NZGBs, reflecting offshore moves reversed, and 10-year bond yields which peaked at 4.77% closed at 4.67%. Bonds outperformed swaps at the margin, with the lack of a material increase in borrowing, reducing supply risks. The long end of the linker curve underperformed given the announcement of the new line.

The weekly government bond tender, which was pushed back a day because of the Budget, is scheduled this afternoon. NZDM will offer the Apr-2029 (\$250m), Apr-2033 (\$150m) and May-2041 (\$50m) maturities. The amount of interest rate risk to be absorbed by the market is relatively small, compared with recent weeks.

Australian 10-year bond futures are ~5bp lower in yield terms, since the local close yesterday, which suggests a lower bias for NZ yields on the open.

Turning to the day ahead, the only domestic release is Q1 retail sales. We are expecting a near zero real change for both the quarter and the year. Weakness in consumer spending is a key factor behind our relatively soft 0.3% GDP forecast for the March quarter. Japan CPI is scheduled, and retail sales are released in the UK and Canada.

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Coming Up

		Period	Cons.	Prev.	NZT
NZ	Retail Sales Ex Inflation (q/q%)	1Q	0	0.9	10:45
UK	GfK Consumer Confidence	May	-22	-23	11:01
JN	CPI (y/y%)	Apr	3.5	3.6	11:30
JN	CPI Ex Fresh Food, Energy (y/y%)	Apr	3	2.9	11:30
UK	Retail Sales Ex Auto Fuel (m/m%)	Apr	0.1	0.5	18:00
EC	Negotiated Wage Rates				21:00
CA	Retail Sales Ex Auto (m/m%)	Mar	-0.1	0.5	00:30
US	New Home Sales	Apr	695	724	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	0.5950	+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						
							15-May-37	4.91	0.04						
							15-May-41	5.16	0.04						
							15-May-51	5.35	0.04						
							15-May-54	5.38	0.04						

NZD exchange rates

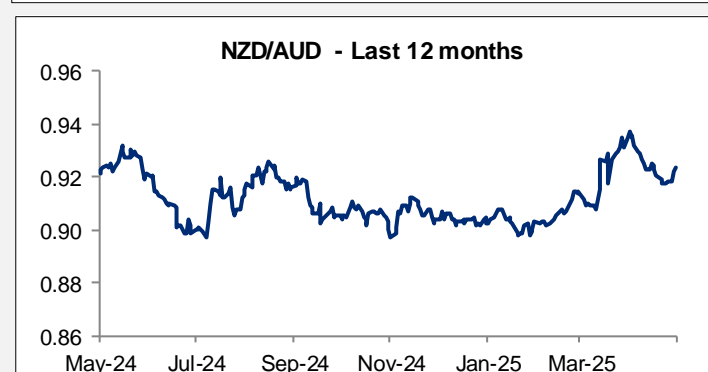
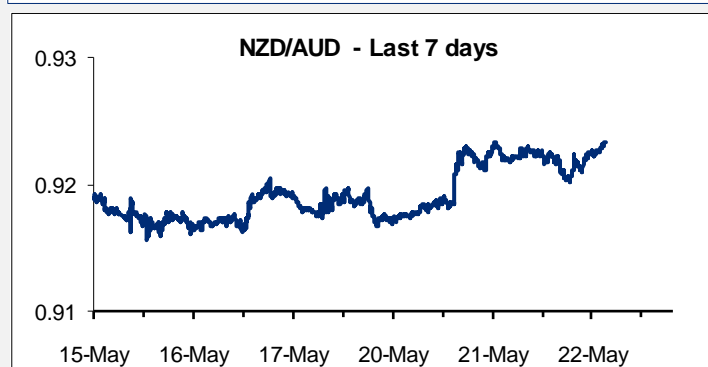
22/05/2025	6:24 am	Prev. NY close
USD	0.5950	0.5926
GBP	0.4429	0.4425
AUD	0.9233	0.9225
EUR	0.5246	0.5252
JPY	85.39	85.64
CAD	0.8235	0.8247
CHF	0.4903	0.4909
DKK	3.9141	3.9175
FJD	1.3477	1.3465
HKD	4.6599	4.6381
INR	50.96	50.75
NOK	6.0471	6.0788
PKR	167.73	166.80
PHP	33.11	32.96
PGK	2.4148	2.3982
SEK	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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