

Research Markets Today

24 April 2025

Events Round-Up

GE: Manufacturing PMI, Apr: 48.0 vs. 47.6 exp.

GE: Services PMI, Apr: 48.8 vs. 50.4 exp.

EC: Manufacturing PMI, Apr: 48.7 vs. 47.5 exp.

EC: Services PMI, Apr: 49.7 vs. 50.5 exp.

UK: Manufacturing PMI, Apr: 44.0 vs. 44.0 exp.

UK: Services PMI, Apr: 48.9 vs. 51.5 exp.

US: Manufacturing PMI, Apr: 50.7 vs. 49.0 exp.

US: Services PMI, Apr: 51.4 vs. 52.6 exp.

Good Morning

Markets have been whippy in response to headlines on tariffs but the net result is stronger global equity markets and small net movement in US Treasuries with a curve flattening bias. The USD is broadly stronger overnight. The NZD couldn't sustain a brief move back over 0.60 and is trading back down around 0.5960.

After we went to print yesterday and before Asia opened, President Trump spoke to reporters at the White House and said he has no intention of firing Fed Chair Powell, "never did". This looked like a walk-back from his angry tone towards Powell just before the Easter break and after the market spat the dummy earlier this week.

At the same briefing, Trump said China's final tariffs after a deal would not be anywhere near 145%, even if it won't be zero. He said "we're going to be very good to China...China will be very happy...we'll see what happens but ultimately they have to make a deal because otherwise they're not going to be able to deal in the US".

These positive vibes sent global equity market futures higher when Asia opened and helped push down the US 10-year rate.

In overnight news, the WSJ reported "the Trump administration is considering slashing its steep tariffs on Chinese imports—in some cases by more than half—in a bid to de-escalate tensions with Beijing". The report added Trump hasn't made a final determination and that the discussions remain fluid, and several options are on the table. These included a reduction in tariffs to between 50-65% or a tiered approach, with a 35% tariff for items deemed not to be a threat to national security and at 100% for items deemed as strategic to America's interest, to be

gradually implemented over five years. One administration official said Trump wouldn't act unilaterally and would need to see some action from Beijing to lower tariffs.

Later, Treasury Secretary Bessett was asked if there was a unilateral offer from the president to de-escalate and offer to cut tariffs on China and he said, "not at all", albeit he repeated his recent line that he doesn't think either side believes that current tariff rates are sustainable, so he wouldn't be surprised if they went down in a mutual way.

The WSJ article and denial caused whippy trading conditions in the market, with a gain in the S&P500 of as much as 3.4% eroded, although as we go to print the index is still up just under 2%. The Euro Stoxx 600 index closed up 1.8%. The US 10-year rate traded a low of 4.25% on the prospect of reduced China tariffs, before reversing course and it currently sits at 4.39%, up a few basis points from the NZ close. The curve is modestly flatter.

In economic news, composite PMI figures across Europe and the US were generally weaker than expected, driven by the services sector, with manufacturing figures mostly stronger than expected. Figures were consistent with very weak growth for the UK the Euro area, if not stagnation, and sluggish growth for the US. The survey was taken soon after the Liberation Day tariff announcement and it is early days in assessing the full economic impact of the policy.

The Fed's Beige Book, which summarises economic conditions across the various US Fed Districts, noted that in April economic activity was little changed since the previous report, but uncertainty around international trade policy was pervasive across reports. It noted the rush to buy autos and reduced leisure and business travel, including a decline in international visitors. The outlook in several Districts worsened considerably as economic uncertainty, particularly surrounding tariffs, rose. On inflation, the report noted elevated input cost growth resulting from tariffs, and most businesses expected to pass these on, although there were also reports about margin compression.

A peace deal on the Ukraine-Russia war looks further away, with key US officials cancelling plans to attend talks in London after President Zelensky's pushback against the US proposal that included US recognition of Russian sovereignty over the Crimean Peninsula. In a long social media post, Trump criticised Zelensky and urged him to get the deal done or risk losing the whole country.

In currency markets, the USD was on the soft side, before recovering after the WSJ article and sustained the move higher even after Bessent denied the message, the net result being broadly based gains overnight and for the day. The NZD had recovered to just over 0.60 overnight before the turnaround in the USD saw it fall back down to 0.5960. The AUD recovered to 0.6435 before falling to 0.6370. NZD/AUD has been range-trading around 0.9350.

The yen is on the softer side of the ledger, with USD/JPY strengthening towards 143.50 and NZD/JPY up around 1% from this time yesterday to 85.4. Adding to yen weakness, Bessent said the Trump administration will not pursue specific exchange rate targets in talks with Japan, hosing down market chatter than a much stronger yen could have been part of the negotiations. NZD crosses against EUR and GBP are stronger over the past 24 hours as well, up to 0.5260 and 0.4490 respectively,

In the domestic rates market, the NZGB curve flattened as per offshore markets, with short end rates up a few basis points and long end rates down a couple. The 10-year rate closed down 1bp to 4.55%. Swap spreads were little changed despite the pre-open announcement by NZDM, with the tender schedule for May showing weekly tenders would fall to \$450m, from \$500m. The government is well-funded for the rest of the financial year, following recent syndications. The 2-year swap rate rose 3bps to 3.11% while the 10-year rate was unchanged at 4.03%.

On the calendar ahead, it's a case of second-tier data today, with NZ consumer confidence, Germany's IFO survey and US durable goods orders. While NZ and Australia are on holiday tomorrow, Tokyo CPI data and retail sales for the UK and Canada will be released. In the final reading for the University of Michigan survey, it'll be interesting to see whether US consumer sentiment dived even further.

jason.k.wong@bnz.co.nz

Coming Up

		Period	Cons.	Prev.	NZT
NZ	ANZ consumer confidence	Apr		93.2	10:00
GE	IFO Expectations	Apr	85.0	87.7	20:00
US	Durable goods orders (m/m%)	Mar	2.0	1.0	0:30
US	Durables ex transport.	Mar	0.3	0.7	0:30
US	Initial Jobless Claims	19-Apr	221	215	0:30
US	Existing home sales (m/m%)	Mar	-3.1	4.2	2:00
Friday					
JN	Tokyo CPI (y/y%)	Apr	3.3	2.9	11:30
JN	Tokyo CPI x-fr. fd, energy (y/y%)	Apr	2.8	2.2	11:30
UK	Retail sales ex auto fuel (m/m%)	Mar	-0.5	1.0	18:00
CA	Retail sales ex auto (m/m%)	Feb	-0.2	0.2	0:30
US	U. of Mich. consumer sentiment	Apr	50.7	50.8	2:00
US	U. of Mich. 5-10 Yr inflation exp.	Apr	4.4	4.4	2:00

Source: Bloomberg, BNZ

Page 3

NZD exchange rates

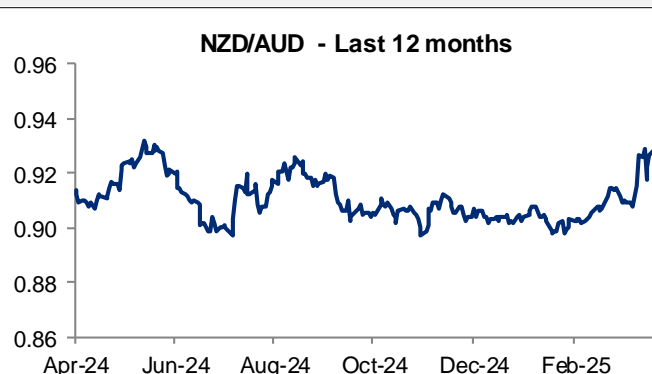
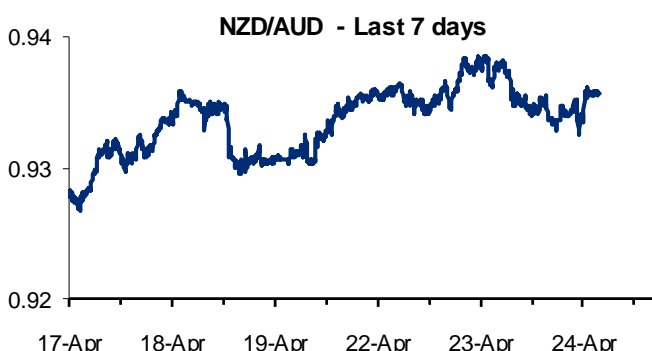
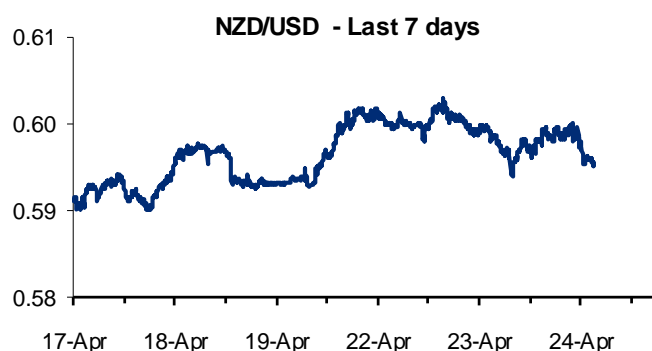
24/04/2025 6:55 am		Prev. NY close
USD	0.5955	0.5969
GBP	0.4489	0.4477
AUD	0.9357	0.9375
EUR	0.5259	0.5226
JPY	85.41	84.50
CAD	0.8270	0.8246
CHF	0.4941	0.4888
DKK	3.9264	3.9022
FJD	1.3636	1.3640
HKD	4.6211	4.6308
INR	50.87	50.85
NOK	6.2677	6.2056
PKR	167.31	167.41
PHP	33.69	33.84
PGK	2.4257	2.4314
SEK	5.7771	5.7128
SGD	0.7837	0.7827
CNY	4.3395	4.3618
THB	19.90	19.83
TOP	1.4055	1.4094
VUV	71.86	72.18
WST	1.6692	1.6727
XPF	62.65	62.52
ZAR	11.1269	11.1142

NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	4.73	4.90
3 Months	16.44	16.93
6 Months	33.65	34.55
9 Months	47.48	49.84
1 Year	57.68	60.69

NZD/AUD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	5.13	5.69
3 Months	16.04	17.38
6 Months	28.98	32.06
9 Months	37.71	43.46
1 Year	45.26	53.13



Contact Details

BNZ Research

Stephen Toplis
Head of Research

Doug Steel
Senior Economist

Jason Wong
Senior Markets Strategist

Stuart Ritson
Senior Interest Rate Strategist

Matt Brunt
Economist

Mike Jones
BNZ Chief Economist
+64 9-956 0795

Main Offices

Wellington
Level 4, Spark Central
42-52 Willis Street
Private Bag 39806
Wellington Mail Centre
Lower Hutt 5045
New Zealand
Toll Free: 0800 283 269

Auckland
80 Queen Street
Private Bag 92208
Auckland 1142
New Zealand
Toll Free: 0800 283 269

Christchurch
111 Cashel Street
Christchurch 8011
New Zealand
Toll Free: 0800 854 854

This document has been produced by Bank of New Zealand (BNZ). BNZ is a registered bank in New Zealand and is only authorised to offer products and services to customers in New Zealand.

Analyst Disclaimer: The Information accurately reflects the personal views of the author(s) about the securities, issuers and other subject matters discussed, and is based upon sources reasonably believed to be reliable and accurate. The views of the author(s) do not necessarily reflect the views of the NAB Group. No part of the compensation of the author(s) was, is, or will be, directly or indirectly, related to any specific recommendations or views expressed.

BNZ maintains an effective information barrier between the research analysts and its private side operations. Private side functions are physically segregated from the research analysts and have no control over their remuneration or budget. The research functions do not report directly or indirectly to any private side function. The Research analyst might have received help from the issuer subject in the research report.

New Zealand: The information in this publication is provided for general information purposes only, and is a summary based on selective information which may not be complete for your purposes. This publication does not constitute any advice or recommendation with respect to any matter discussed in it, and its contents should not be relied on or used as a basis for entering into any products described in it. Bank of New Zealand recommends recipients seek independent advice prior to acting in relation to any of the matters discussed in this publication.

Any statements as to past performance do not represent future performance, and no statements as to future matters are guaranteed to be accurate or reliable.

Neither Bank of New Zealand nor any person involved in this publication accepts any liability for any loss or damage whatsoever which may directly or indirectly result from any advice, opinion, information, representation or omission, whether negligent or otherwise, contained in this publication.

USA: If this document is distributed in the United States, such distribution is by nabSecurities, LLC. This document is not intended as an offer or solicitation for the purchase or sale of any securities, financial instrument or product or to provide financial services. It is not the intention of nabSecurities to create legal relations on the basis of information provided herein.