

# Research Markets Today

26 May 2025

## Events Round-Up

NZ: Retail Sales Ex Inflation (q/q%), 1Q: 0.8 vs. 0 exp.  
 UK: GfK Consumer Confidence, May: -20 vs. -22 exp.  
 JN: CPI (y/y%), Apr: 3.6 vs. 3.5 exp.  
 JN: CPI Ex Fresh Food, Energy (y/y%), Apr: 3.0 vs. 3.0 exp.  
 UK: Retail Sales Ex Auto Fuel (m/m%), Apr: 1.3 vs. 0.1 exp.  
 EC: Negotiated Wage Rates (y/y%), 2.4%.  
 CA: Retail Sales Ex Auto (m/m%), Mar: -0.7 vs. -0.1 exp.  
 US: New Home Sales (k), Apr: 743vs. 695 exp.

## Good morning

Equities tumbled after President Trump threatened to impose aggressive tariffs on the European Union. The S&P dropped more than 1.5% before recovering to end the session 0.7% weaker. The rebound in US equities was supported by US Treasury Secretary Bessent saying the US could strike several large trade deals in coming weeks. Treasuries retraced an earlier rally while the US dollar remained under pressure. Gold prices traded above US\$3360 per troy ounce, a gain of 2%.

There has been slow progress in trade talks between the US and the EU, and President Trump's threat of a 50% tariff on all imports from June, creates further uncertainty. Risk sensitive markets have rebounded in recent weeks, on optimism that of a more benign trade backdrop. However, the threat of aggressive tariffs may well be a 'negotiating tactic' and is unlikely to be where tariffs settle over the long run. The Euro Stoxx index closed almost 2% lower and European government bonds rallied. 10-year German Bund yields declined 8 bp to 2.57%.

Front treasury US treasuries rallied amid the stock market weakness. 2-year yields fell 10bp to a 3.90% session low, before rebounding as risk sentiment recovered, to close unchanged at 3.99%. 10-year notes ended modestly lower in yield at 4.51%. Treasury Secretary Bessent said regulators may ease a rule in coming months that has constrained banks holdings of treasuries.

There was a large upside surprise for UK retail sales in April. The core measure, which strips out autos and fuel, increased 1.3%. This compared with the consensus estimate for a 0.1% gain. EUR/GBP dropped to the lowest level since early April and sterling reached fresh three-year highs against the US dollar.

Consumer prices in Japan have continued to move higher. CPI excluding fresh food and energy reached 3.0% in April, the fastest increase in fifteen months. The data suggests upward inflation momentum and supports the case for further tightening. There is 20bp of hikes priced by the end of the year. The long end of the JGB curve stabilised on Friday. But the market will be cautious, ahead of the 40-year auction on Wednesday, after the move higher in yields during May.

The US dollar index extended its recent decline, after the threatened EU tariffs, and is only marginally above the multi-year low reached during the trade tension turmoil at the beginning of April. Fiscal concerns and further tariff uncertainty has weighed dollar. The yen gained more than 1% and all the G10 currencies gained against the US dollar on Friday night.

The NZD was the best performing G10 currency, and advanced more than 1% against the US dollar, after the local close on Friday. NZD/USD traded to a high near 0.5985. There was no obvious catalyst for the outperformance. The NZD gained on all the major crosses with NZD/EUR registering the largest gain (+0.8%).

An initial move lower in swap rates, reflecting offshore markets, ran out of momentum in the local session on Friday. Swap rates closed flat to 1bp higher across the curve having been 5bp lower at one point. 2-year swaps closed at 3.19%, 1bp higher, while 10-year closed unchanged at 4.16%.

NZ Government bonds outperformed swaps in the short and intermediate curve segments. However, the ultras underperformed. The weekly bond tender, which was pushed back by a day because of the Budget, had coverage ratios close to three, across the nominal lines. 10-year bonds closed at 4.66%, 2bps lower.

Australian 10-year government bond futures have declined 7bp in yield terms since the local close on Friday, suggesting a downward bias, for NZ yields on the open.

There is no data of note today and it is a public holiday in the US which will weigh on market activity.

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**NZD exchange rates**

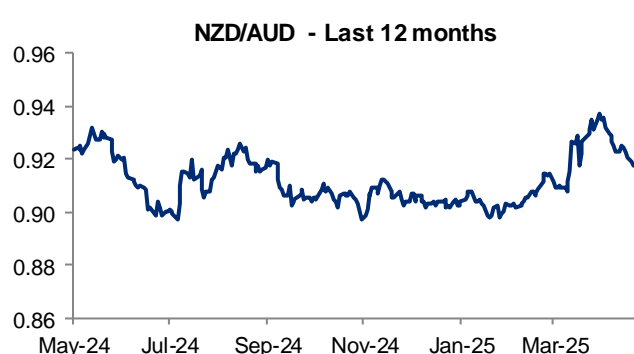
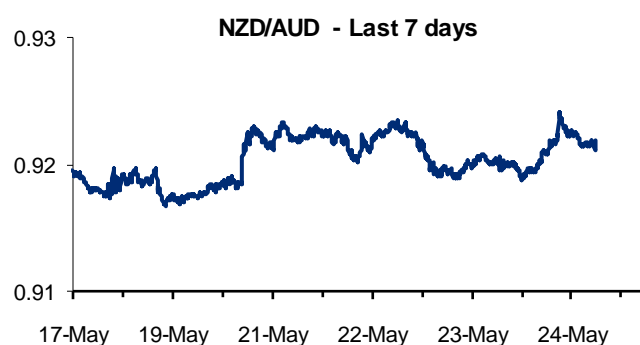
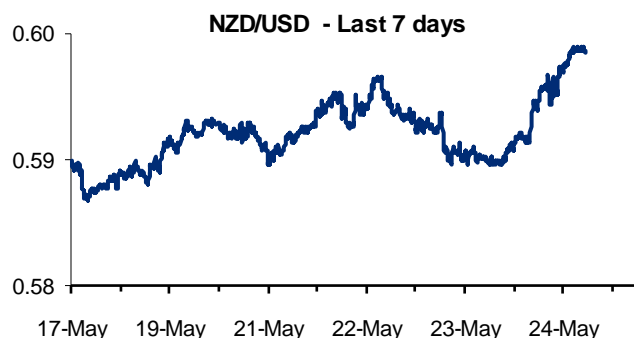
24/05/2025	NY close	Prev. NY close
USD	0.5987	0.5899
GBP	0.4422	0.4396
AUD	0.9216	0.9201
EUR	0.5268	0.5229
JPY	85.35	84.95
CAD	0.8219	0.8174
CHF	0.4917	0.4890
DKK	3.9313	3.9008
FJD	1.3662	1.3437
HKD	4.6899	4.6170
INR	51.03	50.73
NOK	6.0581	6.0219
PKR	168.85	166.18
PHP	33.09	32.80
PGK	2.4521	2.3863
SEK	5.7091	5.6850
SGD	0.7693	0.7625
CNY	4.3000	4.2506
THB	19.51	19.36
TOP	1.3991	1.3844
VUV	72.81	71.55
WST	1.6386	1.6318
XPF	63.49	62.77
ZAR	10.6829	10.6227

**NZD/USD Forward Points**

	BNZ buys NZD	BNZ sells NZD
1 Month	6.01	6.39
3 Months	19.34	20.02
6 Months	39.58	41.58
9 Months	56.04	58.83
1 Year	68.00	71.89

**NZD/AUD Forward Points**

	BNZ buys NZD	BNZ sells NZD
1 Month	5.11	5.91
3 Months	15.77	17.08
6 Months	26.69	31.56
9 Months	36.96	42.74
1 Year	41.16	50.05



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