

Research Markets Today

27 May 2025

Events Round-Up

Nothing of note

Good Morning

Markets have been quiet and newsflow overnight has been light, with the US and UK on holiday. Some trade war de-escalation between US and the EU has supported equity markets. The NZD and AUD have pulled back from fresh year-to-date highs seen during the NZ trading session. The NZD is back down to 0.60.

Following President Trump's threat on Friday to impose a 50% tariff on the EU, after saying the region was difficult to deal with, he agreed to extend the deadline to 9 July after talking with EC President von der Leyen. The trade war de-escalation between the US and EU after escalating it on Friday, has caused some market volatility and temporarily diverted attention away from concerns about the state of US fiscal policy, which was last week's theme. Many commentators have noted the backdown in the threat by Trump just follows his usual playbook, while continuing to affect uncertainty about the economic outlook.

The US cash market is closed but S&P futures are up 1.3%. The Euro Stoxx 600 closed up 1%, reversing Friday's 0.9% decline. US Treasury futures opened weaker, equivalent to about a 5bps lift in the 10-year rate, but reversed course overnight to close flat at the end of the European trading session.

The USD was broadly weaker during the NZ trading session but has reversed course overnight. Bloomberg's dollar index fell to its lowest level since July 2023 but is now flat for the session. The NZD broke above the late-April high to trade at a fresh 2025 high of 0.6032 yesterday mid-afternoon, before reversing course and it currently trades close to 0.60. This can only reinforce 0.6030 as a short-term resistance level. The AUD traded at a fresh 2025 high of 0.6537 and has fallen back down to 0.6485, leaving it flat for the day, while NZD/AUD has nudged up to 0.9255.

Of the other majors, EUR and GBP are slightly stronger and JPY and CAD are slightly weaker, but net movements have been contained to within 0.2% from last week's close. ECB President Lagarde gave a speech in Berlin which included comments about the role of the USD as a reserve currency. She said "there is even uncertainty about the cornerstone

of the system: the dominant role of the US dollar...with the euro as the world's second-largest currency, there is another international currency alongside the dollar. But this has not yet convinced investors".

On a similar topic, but with regards to the yuan, Bloomberg reported that the PBoC has asked major lenders to increase the share of the yuan in cross-border trade transactions to 40% from 25%. While not mandatory, banks missing the target often receive a lower score in any regulatory review, which will impact their future business expansion.

The holiday trading conditions give more time and space to note articles of interest that wouldn't normally make the cut for this daily report, most of them bad news. The FT notes that China has improved its ability to launch a sudden attack on Taiwan, with faster-paced air and operations, new artillery systems and more alert amphibious and air assault units. Great, add World War III to your bingo card. The WSJ notes how millions of Americans suddenly owe billions in student debt after years of forbearance and delinquency rates are now back to pre-COVID levels. There is also a neat article spelling out the impact of tariffs, using patio furniture as an example, showcasing one importer who de-constructs the new price based on tariffs on steel and Chinese goods. On three different products, proposed new prices will rise by 8%, 15% and 18%.

The domestic trading session was quiet, with rates nudging lower on global forces. NZGB yields were down 1-4bps across the curve and swap rates were 1-3bps lower. Focus is squarely on the RBNZ's MPS update on Wednesday, where a 25bps rate cut is fully priced and interest lying in the tone of the update. This morning, BNZ gave notice of reducing variable mortgage lending rates by 25bps from next week while fixed home lending rates were nudged down to fresh cycle lows, effective immediately.

In the day ahead, only second tier data are released. Of most interest will be US consumer confidence and the breakdown of the survey, following the recent plunge in confidence and the rollback of US-China import tariffs earlier this month.

jason.k.wong@bnz.co.nz

Coming Up

		Period	Cons.	Prev.	NZT
GE	GfK consumer confidence	Jun	-20.0	-20.6	18:00
EC	Economic confidence	May	94.1	93.6	21:00
US	Durable goods orders (m/m%)	Apr	-7.8	9.2	00:30
US	Durables extransport. (m/m%)	Apr	0.0	0.0	00:30
US	Conf. Board consumer confid.	May	87	86	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	0.6000	+0.2	0.6000	0.6026	CHF	0.8208	-0.0	S&P 500	5,803	-0.7	9.4	Oil (Brent)	64.74	-0.1
AUD	0.6483	-0.1	0.6483	0.6524	SEK	9.517	-0.2	Dow	41,603	-0.6	6.5	Oil (WTI)	61.53	+0.0
EUR	1.1382	+0.2	1.1369	1.1412	NOK	10.103	-0.1	Nasdaq	18,737	-1.0	10.7	Gold	3342.2	-0.7
GBP	1.3563	+0.2	1.3551	1.3579	HKD	7.837	+0.1	Stoxx 50	5,395	+1.3	7.1	HRC steel	900.0	-0.3
JPY	142.76	+0.1	142.71	143.03	CNY	7.186	+0.1	FTSE	8,718	-0.2	4.8	CRB	296.7	+0.1
CAD	1.3735	+0.0			SGD	1.284	-0.0	DAX	24,028	+1.7	28.5	Wheat Chic.	558.0	-0.4
NZD/AUD	0.9255	+0.3			IDR	16,249	+0.2	CAC 40	7,828	+1.2	-3.3	Sugar	17.29	-0.6
NZD/EUR	0.5271	+0.1			THB	32.61	+0.4	Nikkei	37,532	+1.0	-3.5	Cotton	66.11	+0.7
NZD/GBP	0.4424	+0.1			KRW	1,370	+0.4	Shanghai	3,347	-0.0	7.1	Coffee	361.0	+0.1
NZD/JPY	85.66	+0.3			TWD	29.98	+0.0	ASX 200	8,361	+0.0	7.4	WM powder	4035	+0.0
NZD/CAD	0.8241	+0.2			PHP	55.42	+0.3	NZX 50	12,547	-0.4	6.7	Australian Futures		
NZ TWI	69.36	+0.2						VIX Index	20.57	-7.7	+66.4	3 year bond	96.56	0.03
Interest Rates												10 year bond 95.67 0.04		
	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	3.75	3.94	USD	4.51	-0.02	15-Apr-27	3.33	-0.01	BKBM 1-mth	3.38	-0.03	
AUD	3.85	3.71	3.29	4.21	AUD	4.38	-0.04	15-May-28	3.53	-0.02	BKBM 3-mth	3.27	-0.01	
NZD	3.50	3.27	3.18	4.13	NZD	4.62	-0.04	20-Apr-29	3.71	-0.02	1 year	3.12	-0.01	
EUR	2.25	2.04	1.95	2.55	GER	2.56	-0.01	15-May-30	3.91	-0.02	2 year	3.18	-0.01	
GBP	4.25	4.56	3.85	4.18	GBP	4.68	-0.07	15-May-31	4.12	-0.03	3 year	3.31	-0.01	
JPY	0.48	-0.03	0.71	1.23	JPY	1.52	-0.02	15-May-32	4.29	-0.04	5 year	3.59	-0.02	
CAD	2.75	4.97	2.52	3.05	CAD	3.32	-0.03	14-Apr-33	4.41	-0.04	7 year	3.85	-0.02	
					Policy Meeting Run			15-May-34	4.52	-0.04	10 year	4.13	-0.03	
					NZD	AUD	USD	15-May-35	4.62	-0.04	15 year	4.40	-0.03	
					1st	3.25	3.84	4.33	15-May-36	4.73	-0.04	NZ Inflation-Indexed Bonds		
					2nd	3.06	3.66	4.32	15-May-37	4.87	-0.04	Sep-30	2.16	-0.01
					3rd	2.94	3.41	4.27	15-May-41	5.14	-0.04	Sep-35	2.81	-0.01
					4th	2.89	3.33	4.18	15-May-54	5.38	-0.04	Sep-40	3.19	-0.01
					5th	2.86	3.18	4.03						
* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer														
Rates are as of: NZT 06:55														
Source: Bloomberg														

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

Rates are as of: NZT 06:55

Source: Bloomberg

NZD exchange rates**27/05/2025 6:55 am Prev. NY close**

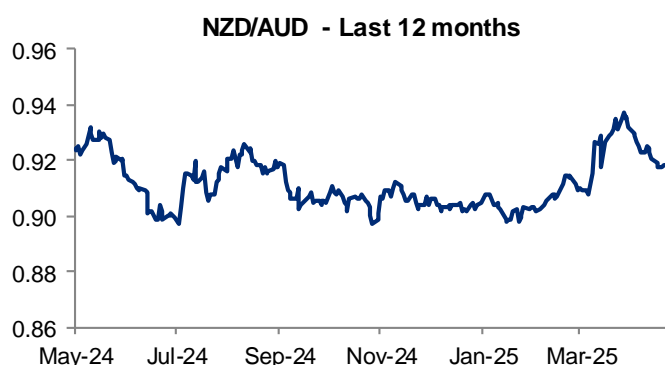
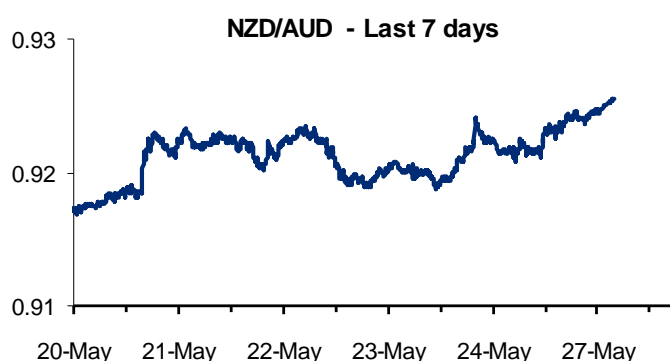
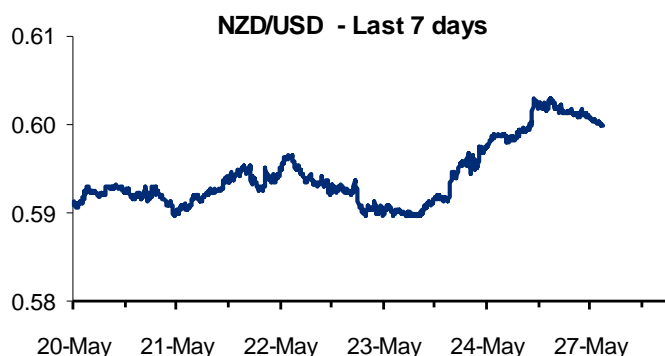
USD	0.6000	0.5988
GBP	0.4424	0.4423
AUD	0.9255	0.9229
EUR	0.5271	0.5270
JPY	85.66	85.36
CAD	0.8241	0.8222
CHF	0.4926	0.4917
DKK	3.9338	3.9313
FJD	1.3570	1.3662
HKD	4.7035	4.6899
INR	51.07	51.03
NOK	6.0646	6.0581
PKR	169.23	168.68
PHP	33.27	33.09
PGK	2.4588	2.4521
SEK	5.7129	5.7091
SGD	0.7708	0.7693
CNY	4.3136	4.3000
THB	19.58	19.51
TOP	1.4079	1.3991
VUV	72.67	72.81
WST	1.6590	1.6386
XPF	63.59	63.49
ZAR	10.7240	10.6829

NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	6.37	6.88
3 Months	19.38	20.20
6 Months	39.75	41.18
9 Months	56.10	58.95
1 Year	67.91	71.84

NZD/AUD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	5.49	6.55
3 Months	15.30	17.39
6 Months	26.77	31.12
9 Months	34.21	41.97
1 Year	37.18	51.75



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.