

Research Markets Today

29 May 2025

Events Round-Up

NZ: Filled jobs (m/m%), Apr: -0.1 vs. 0.1 prev.

AU: Monthly CPI (y/y%), Apr: 2.4 vs. 2.3 exp.

AU: CPI trimmed mean (y/y%), Apr: 2.8 vs. 2.7 prev.

NZ: RBNZ official cash rate (%), May: 3.25 vs. 3.25 exp.

GE: Unemployment rate (%), May: 6.3 vs. 6.3 exp.

Good Morning

Newsflow has been light overnight. US equities are consolidating, with focus on Nvidia's earnings results after the close later this morning. Global rates are higher for the day, with spillover from a poor ultra-long bond auction in Japan, but the US 10-year rate hasn't pushed much higher overnight. The NZD has sustained the modest gain seen following the RBNZ's new neutral bias, following its 25bps rate cut yesterday.

There has been little news to drive the market overnight, including a lack of economic data. Following yesterday's strong 2% gain for the S&P500, the index is down slightly ahead of Nvidia's earnings report.

Regarding US-EU trade talks, the FT reports that senior EU officials have privately painted a bleak picture of negotiations that may force the bloc to accept higher US duties for the long term, with the 10% "reciprocal" tariff likely to stay. The US has insisted this 10% rate is not part of trade negotiations. The bloc has been left facing an unpalatable choice between making concessions or retaliation, according to officials and diplomats.

In the bond market, there were nerves ahead of Japan's 40-year bond auction yesterday, with ultra-long bonds under considerable pressure due to a buyer's strike and the sharp lift in yields this year generating significant paper losses for Japanese life insurers. Yields rose into the event and the auction still met the weakest demand since July, adding further upward pressure to yields. The poor auction supports the case for Japan's finance ministry to reduce issuance at the long end of the curve.

Higher Japanese rates spilled over into US Treasuries during the NZ trading session. However, the net movement overnight has been modest, with the 10-year rate barely higher from the NZ close, at 4.48%, taking it up 4bps for day. The FOMC minutes for the May meeting

didn't offer anything new, with broad agreement amongst committee members to take a patient approach to policy, given heightened economic uncertainty. Fed economists viewed the possibility that the economy would enter a recession to be almost as likely as the baseline forecast and continued to view the risks around the inflation forecast beyond 2025 as skewed to the upside.

Currency movements have been modest. The NZD is the best performer for the day, albeit up just 0.2% since this time yesterday, finding support after the RBNZ's policy update (see below). The NZD traded a high of 0.5980 in the aftermath of the release before settling around 0.5960.

JPY has been the weakest of the majors, with USD/JPY up 0.4% and NZD/JPY up 0.6% from this time yesterday to 86.4. Other NZD crosses are modestly higher, with NZD/AUD recovering to 0.9275, NZD/GBP up to 0.4425 and NZD/EUR at 0.5280.

The RBNZ delivered the widely expected 25bps cut to the OCR, taking it down to 3.25%. This took cumulative rate cuts from August last year to 225bps. Market reaction suggested that the policy update was more hawkish than many expected. On this note, the vote was not unanimous, with one MPC member voting to keep policy unchanged. Furthermore, there seemed to be some sympathy with that view, as "some" members noted that leaving policy on hold would allow the committee to better assess the impact of increased economic policy uncertainty and guard against the risk of higher-than-expected inflation from supply side effects of increased tariffs.

While the published modelled rate track implied that the OCR could be cut further, with a terminal rate of 2.85%, the media release did not convey an easing bias, and Governor Hawkesby confirmed at the press conference that the Bank did not have a policy bias. Clearly the Bank is looking to maintain full optionality on the policy outlook.

The move to a neutral bias caught the rates market offguard, with the 2-year swap rate rising as much as 14bps, before closing up just under 11bps for the day at 3.27%. The 5-year swap rate rose 10bps while the 10-year rate rose 7bps. Positioning was likely a factor, as NZGB yields rose by less, with rates up 3-9bps across the curve and a flattening bias. The market still sees scope for further RBNZ easing, albeit with less conviction on the short-term path. Another 25bps rate is fully priced and

with a small chance of an additional cut, with a terminal rate close to 2.95%.

On the calendar today, the ANZ business outlook survey will be of some interest. Tonight sees the release of the second estimate of US Q1 GDP, initial jobless claims and pending home sales.

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Coming Up

		Period	Cons.	Prev.	NZT
NZ	ANZ activity outlook (net%)	May		47.7	13:00
US	GDP (2nd est., ann'l sd q/q%)	Q1	-0.3	-0.3	00:30
US	Initial jobless claims (k)	24-May	230	227	00:30
US	Pending home sales (m/m%)	Apr	-1	6.1	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	0.5962	+0.2	0.5944	0.5978	CHF	0.8271	-0.0	S&P 500	5,914	-0.1	11.5	Oil (Brent)	64.81	+1.1
AUD	0.6426	-0.3	0.6410	0.6449	SEK	9.650	+0.3	Dow	42,220	-0.3	8.7	Oil (WTI)	61.75	+1.4
EUR	1.1290	-0.3	1.1284	1.1341	NOK	10.183	+0.3	Nasdaq	19,204	+0.0	12.8	Gold	3299.3	-0.0
GBP	1.3467	-0.3	1.3450	1.3520	HKD	7.839	+0.0	Stoxx 50	5,378	-0.7	6.9	HRC steel	835.0	+1.0
JPY	144.89	+0.4	144.00	145.08	CNY	7.196	+0.0	FTSE	8,726	-0.6	5.7	CRB	294.8	-0.6
CAD	1.3829	+0.1			SGD	1.290	+0.1	DAX	24,038	-0.8	28.7	Wheat Chic.	546.3	+0.4
NZD/AUD	0.9278	+0.5			IDR	16,296	+0.1	CAC 40	7,788	-0.5	-3.3	Sugar	16.90	-1.9
NZD/EUR	0.5281	+0.6			THB	32.71	-0.1	Nikkei	37,722	-0.0	-2.2	Cotton	65.33	-0.4
NZD/GBP	0.4427	+0.5			KRW	1,375	-0.1	Shanghai	3,340	-0.0	7.4	Coffee	352.0	-2.8
NZD/JPY	86.38	+0.6			TWD	29.90	-0.3	ASX 200	8,397	-0.1	9.5	WM powder	3975	-1.5
NZD/CAD	0.8245	+0.4			PHP	55.50	-0.1	NZX 50	12,362	-1.7	5.9	Australian Futures		
NZ TWI	69.21	+0.3						VIX Index	18.69	-1.4	+44.7	3 year bond	96.57	-0.03
Interest Rates														
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	3.77	3.92	USD	4.48	0.03	15-Apr-27	3.39	0.09	BKBM 1-mth	3.37	0.00	
AUD	3.85	3.69	3.28	4.22	AUD	4.33	0.02	15-May-28	3.59	0.09	BKBM 3-mth	3.27	0.00	
NZD	3.25	3.27	3.27	4.16	NZD	4.62	0.04	20-Apr-29	3.76	0.08	1 year	3.18	0.06	
EUR	2.25	2.02	1.95	2.53	GER	2.55	0.02	15-May-30	3.95	0.07	2 year	3.27	0.11	
GBP	4.25	4.54	3.89	4.20	GBP	4.73	0.06	15-May-31	4.15	0.06	3 year	3.40	0.11	
JPY	0.48	-0.03	0.74	1.25	JPY	1.52	0.05	15-May-32	4.31	0.06	5 year	3.66	0.10	
CAD	2.75	4.97	2.47	2.98	CAD	3.25	-0.01	14-Apr-33	4.42	0.05	7 year	3.90	0.09	
								15-May-34	4.52	0.04	10 year	4.16	0.07	
								15-May-35	4.62	0.04	15 year	4.42	0.07	
								15-May-36	4.72	0.04	NZ Inflation-Indexed Bonds			
								15-May-37	4.85	0.03	Sep-30	2.21	0.06	
								15-May-41	5.12	0.03	Sep-35	2.85	0.06	
								15-May-51	5.31	0.03	Sep-40	3.23	0.06	
								15-May-54	5.35	0.03				

NZD exchange rates

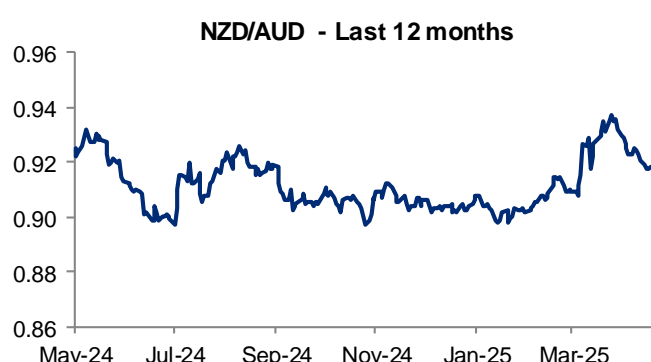
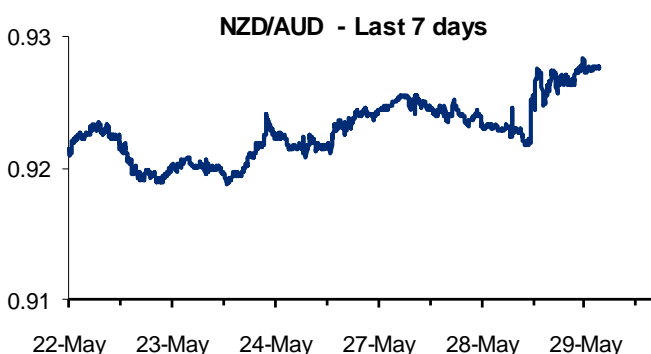
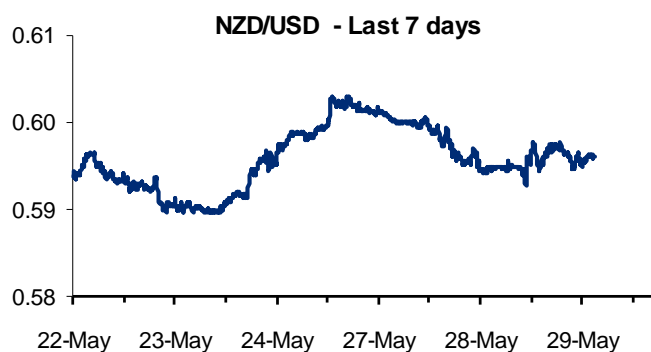
29/05/2025	6:49 am	Prev. NY close
USD	0.5962	0.5949
GBP	0.4427	0.4404
AUD	0.9278	0.9233
EUR	0.5281	0.5252
JPY	86.38	85.86
CAD	0.8245	0.8216
CHF	0.4931	0.4922
DKK	3.9382	3.9151
FJD	1.3522	1.3545
HKD	4.6737	4.6631
INR	50.89	50.77
NOK	6.0713	6.0432
PKR	168.11	167.58
PHP	33.08	33.05
PGK	2.4226	2.3949
SEK	5.7534	5.7251
SGD	0.7689	0.7666
CNY	4.2902	4.2805
THB	19.45	19.47
TOP	1.3904	1.3945
VUV	72.18	71.94
WST	1.6304	1.6396
XPF	63.42	63.17
ZAR	10.6854	10.6778

NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	6.06	6.36
3 Months	18.84	19.47
6 Months	38.19	39.19
9 Months	53.41	55.79
1 Year	64.88	68.13

NZD/AUD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	5.48	6.15
3 Months	15.46	16.86
6 Months	26.89	29.56
9 Months	33.02	38.68
1 Year	37.16	45.14



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