

Market Alert

Wednesday 07 May 2025

CURRENCIES	Spot	6mths
NZD/USD	0.6009	0.0036
NZD/AUD	0.9248	0.0029
NZD/JPY	85.590	-1.22
NZD/EUR	0.5284	-0.0032
NZD/GBP	0.4492	0.0022
NZD/CNH	4.3248	-0.0360
AUD/USD	0.6496	0.0017
AUD/EUR	0.5712	-0.0053
EUR/USD	1.1372	0.0135
USD/CNH	7.2086	-0.1022
GBP/USD	1.3375	0.0013
EUR/GBP	0.8498	0.0091

INT RATES	NZ	Australia
OCR/Cash	3.50%	4.10%
90 day bills	3.40%	3.90%
2 year swap	3.08%	3.27%
10 year Govt	4.63%	4.43%

Looking at the price action ...

... despite European equity markets trading flat, US markets have well and truly broken their previous upward trend, falling a further 1.0% overnight. Interestingly, commodity prices rebounded strongly with most products firming 1.5%-2.5%, while oil prices surged 3.25% from their 4-year low as technical indicators suggested an oversold market as bargain hunters started rebuilding positions.

US yields continued to gyrate around with the 2 and 10-years both easing 4bps to 3.80% and 4.31%, which also weighed on the USD-index which failed in its attempt to reclaim the 99.75 level, which added to the NZD rally. The USD weakness was broad with the JPY the strongest gainer rallying 0.9%, while the NZD firmed 0.8% and the AUD 0.5%.

Breaking the US releases down

- The US trade deficit widened to a record high at USD140.5bn in March, surging from February's USD123.2bn and ahead of forecasts of an USD137.0bn shortfall. Imports jumped 4.4% while exports grew 0.2%.
- The US economic optimism index fell from 49.1 to 47.9 in May, its lowest level in 7-months.
- The US logistics manager's index rose from 57.1 to 58.8 in April, suggesting faster growth in the logistics sector.
- The Atlanta Fed's GDPNow forecast for GDP growth firmed from 1.1% to 2.2%.

Ahead of Canadian PM Mark Carney's visit to the White House, The Donald announced, "We don't need anything they have... except friendship," while Mr. Carney countered with, "Canada won't be for sale ... ever!" After the meeting, in the press conference there were the usual contradictions ... "We will possibly start to renegotiate USMCA." "USMCA is fine. It's good." "Canada chose a talented person." Trump also confirmed he'll announce pharmaceutical tariffs in the next 2-weeks.

Billionaire hedge fund manager Paul Tudor Jones says stock market will hit new lows even if Trump cuts Chinese tariffs to 50%, while mentions of the word "recession" on S&P 500 earnings calls have surged to their highest level since 2023.

The FT reports that the US and UK are close to a trade agreement.

There was some drama in the world of German politics after Friedrich Merz's

nomination for German Chancellor failed at the first time of trying. His coalition held a 12-seat majority in the first vote but a dozen parliamentarians decided to cast protest votes before falling in line.

SNB Chairman Martin Schlegel ... "We haven't ruled out negative interest rates. No one likes negative rates, but if we have to it, we are prepared to do it again!"

Caixin service PMIs for China dropped to its lowest level since September after falling from 51.7 to 50.7. This saw the composite drop from 51.8 to 51.1

Reportedly, 41% of container shipments from Hong Kong to North America scheduled for next week have been cancelled.

Australian building permits fell 8.8% on the month in April when a -0.6% correction had been forecast, while there was also a big slump in household spending as it fell to its lowest level in 6-months dropping 0.3%. On a positive note, one of the CEO from the big 4 banks suggested, "The worst is behind us" across consumer and business stress ... with another bank suggesting the AUD/USD will reach 0.7000 by year end.

The NZ commodity price index was flat in April as the prices on NZ exports held up, although they fell 1.0% in NZD terms. And finally, we had the dairy auction overnight ... which saw the GDT index surge a further 4.6%, which is mighty impressive given the broader weakness in commodity prices. Breaking it down, prices in all products rallied except for mozzarella, with WMF surging a staggering 6.2%, AMF jumped 5.4%, with skim firming 0.5%.



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Daily Rates

Wednesday 07 May 2025

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	69.30					CAD	0.8271	0.8982
NZD/USD	0.6009	0.0005	0.0018	0.0036	0.0059	CHF	0.4934	0.5339
NZD/AUD	0.9248	0.0005	0.0016	0.0029	0.0046	CNY	4.3309	4.6796
NZD/JPY	85.590	-0.23	-0.64	-1.22	-2.28	DKK	3.9405	4.2612
NZD/EUR	0.5284	-0.0006	-0.0015	-0.0032	-0.0065	FJD	1.3349	1.4438
NZD/GBP	0.4492	0.0003	0.0011	0.0022	0.0037	HKD	4.6563	5.0354
						KRW	824.92	891.44
AU TWI	59.90					MYR	2.5410	2.7478
AUD/USD	0.6496	0.0003	0.0008	0.0017	0.0030	NOK	6.1641	6.6659
AUD/NZD	1.0807	-0.0007	-0.0020	-0.0037	-0.0059	SEK	5.7420	6.2095
AUD/JPY	92.93	-0.31	-0.85	-1.63	-3.02	SGD	0.7731	0.8360
AUD/EUR	0.5712	-0.0009	-0.0027	-0.0053	-0.0102	TWD	17.98	19.45
AUD/GBP	0.4854	0.0001	0.0003	0.0007	0.0012	ZAR	10.92	11.81
USD Index	99.22					EQUITIES		
EUR/USD	1.1372	0.0022	0.0067	0.0135	0.0250		Index	
USD/JPY	142.41	-0.52	-1.48	-2.85	-5.16	NZX50	12,421	
GBP/USD	1.3375	0.0002	0.0006	0.0013	0.0015	ASX200	8,151	
EUR/GBP	0.8498	0.0015	0.0046	0.0091	0.0174	Dow Jones	40,927	
USD/CNY	7.2164	-0.0192	-0.0521	-0.1050	-0.2063	S&P 500	5,619	
						FTSE100	8,597	
						DAX 30	23,250	
						Nikkei	36,831	
INTEREST RATES			New Zealand	Australia		COMMODITIES		
			Mid	Mid			USD	
30 day bank bills			3.55%	3.97%		Brent Crude	62.06	
90 day bank bills			3.40%	3.90%		Gold	3,416.33	
1 year swap			3.10%	3.42%		Silver	33.18	
2 year swap			3.13%	3.28%		Iron Ore	97.41	
3 year swap			3.25%	3.31%		CRB Index	356.66	
5 year swap			3.52%	3.71%				
10 year swap			4.06%	4.19%				
3 year Govt bond			3.55%	3.45%				
5 year Govt bond			3.94%	3.73%				
10 year Govt bond			4.63%	4.43%			NZD	
						NZ Carbon	52.00	

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