

# Market Alert

Friday 09 May 2025

| CURRENCIES | Spot   | 6mths   |
|------------|--------|---------|
| NZD/USD    | 0.5902 | 0.0037  |
| NZD/AUD    | 0.9223 | 0.0031  |
| NZD/JPY    | 86.125 | -1.20   |
| NZD/EUR    | 0.5258 | -0.0031 |
| NZD/GBP    | 0.4457 | 0.0024  |
| NZD/CNH    | 4.3248 | -0.0375 |
| AUD/USD    | 0.6399 | 0.0018  |
| AUD/EUR    | 0.5701 | -0.0052 |
| EUR/USD    | 1.1224 | 0.0132  |
| USD/CNH    | 7.2436 | -0.1081 |
| GBP/USD    | 1.3241 | 0.0010  |
| EUR/GBP    | 0.8475 | 0.0092  |

  

| INT RATES    | NZ    | Australia |
|--------------|-------|-----------|
| OCR/Cash     | 3.50% | 4.10%     |
| 90 day bills | 3.38% | 3.88%     |
| 2 year swap  | 3.03% | 3.32%     |
| 10 year Govt | 4.54% | 4.33%     |

## The USD-index ...

was the big beneficiary overnight rallying 0.8%! Whether this was a delayed reaction to the hawkishness of Jerome Powell yesterday, a break of technical resistance at 99.80, the US-UK trade deal, or the possibility of a Chinese trade deal, remains to be seen but the USD is higher at the expense of the JPY, CHF and EUR. The NZD was also hit hard, falling 0.6%, while the AUD fell 0.4%.

The treasury market supported the stronger USD with the 2 and 10-year yields firming 11bps to yield 3.90% and 4.38%, following on from Jerome Powell pushing back against the idea of a pre-emptive rate cut to offset the potential economic fallout from Trump's proposed tariffs.

Equity markets were 0.75%-1.75% higher, while commodity markets remain under pressure with copper prices falling

1.0% to a 1-month low, although oil prices firmed 3.0% back above the USD60.00 level.

The BoE decided to ignore the impending tariff war cutting the Bank Rate by 25bps to 4.25%. This was anticipated, although there would have been a vocal discussion given the members' vote was split 5-4. Interestingly, two policymakers favoured a deeper 50bps cut, while two members wanted to hold at 4.50%. The central bank thought the trade war would knock 0.3% off UK output over the next 3-years and slightly reduce inflation.

The BoJ's minutes from its March meeting highlighted policymakers were divided on when to raise rates again as escalating tariff tensions potentially risk Japan's economic recovery.

US consumer inflation expectations for the year ahead were unchanged at 3.6% in April, the same as in March. The 3-year forecast rose to its highest level since July 2022 at 3.2%, while the 5-year ahead horizon decreased by 0.2% pips to 2.7%. Initial jobless claims fell by 13k to 228k, while US nonfarm labour productivity fell by 0.8% in Q1, exceeding expectations for a 0.7% decline.

NZ PM Chris Luxon suggested, "While the international environment clearly matters a lot, I remain confident about our recovery," while RBNZ Governor Christian Hawkesby added, "The labour market data highlighted the subdued nature of the NZ economy."

## The tariff corner!

The US-UK reached a framework for a trade deal that will see the UK fast-track

American goods through its customs process, although there is an element of smoke-and-mirrors as the final details are still being worked out. This follows on from the UK-India trade deal that was announced earlier in the week.

Ahead of tariff talks in Switzerland this weekend, the Chinese Embassy in the US announced, "The US has reached out via multiple channels for tariff talks (and) China has agreed after evaluating the US request. China condemns the US-initiated tariff war and demands equal and respectful dialogue. China refuses to compromise on its principles." Conversely, President Trump announced that if talks go well with China over the weekend, levies may be lowered.

The EU plans to hit US exports with USD108bn of additional tariffs if trade negotiations fail.

Citadel's Ken Griffin stated, "Tariffs are a painfully regressive sales tax, fuelling the risk of stagflation."

US officials are discussing the possibility granting the UAE, Saudi Arabia and Qatar special fast-track status for trade deals that would allow for billions to be invested into the US.

## A big shout out ...

... to Comrade Craig who takes off on a sailing adventure tomorrow... attempting to make it all the way to Tonga no less! It will be a great adventure, but with some serious consequences if things go wrong, so stay safe and we're all looking forward to welcoming you back in a week or 5!

Oh yes ... there's also a new pope!



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# Daily Rates

Friday 09 May 2025

| FX                | Spot   | FECs (mid)  |         |           |         | Spot Mid    |               |
|-------------------|--------|-------------|---------|-----------|---------|-------------|---------------|
|                   | Mid    | 1mth        | 3mths   | 6mths     | 12mths  | NZD/...     | AUD/...       |
| NZ TWI            | 69.30  |             |         |           |         | CAD         | 0.8210 0.8982 |
| NZD/USD           | 0.5902 | 0.0006      | 0.0018  | 0.0037    | 0.0065  | CHF         | 0.4906 0.5322 |
| NZD/AUD           | 0.9223 | 0.0005      | 0.0015  | 0.0031    | 0.0053  | CNY         | 4.2888 4.6465 |
| NZD/JPY           | 86.125 | -0.22       | -0.64   | -1.20     | -2.32   | DKK         | 3.9210 4.2526 |
| NZD/EUR           | 0.5258 | -0.0005     | -0.0016 | -0.0031   | -0.0065 | FJD         | 1.3238 1.4357 |
| NZD/GBP           | 0.4457 | 0.0003      | 0.0011  | 0.0024    | 0.0040  | HKD         | 4.5861 4.9739 |
|                   |        |             |         |           |         | KRW         | 828.42 898.49 |
| AU TWI            | 59.90  |             |         |           |         | MYR         | 2.5234 2.7369 |
| AUD/USD           | 0.6399 | 0.0002      | 0.0008  | 0.0018    | 0.0032  | NOK         | 6.1532 6.6736 |
| AUD/NZD           | 1.0837 | -0.0006     | -0.0021 | -0.0040   | -0.0067 | SEK         | 5.7453 6.2312 |
| AUD/JPY           | 92.83  | -0.29       | -0.86   | -1.62     | -2.99   | SGD         | 0.7674 0.8323 |
| AUD/EUR           | 0.5701 | -0.0009     | -0.0027 | -0.0052   | -0.0099 | TWD         | 17.85 19.36   |
| AUD/GBP           | 0.4831 | 0.0001      | 0.0004  | 0.0009    | 0.0018  | ZAR         | 10.75 11.66   |
| USD Index         | 100.65 |             |         |           |         | EQUITIES    |               |
| EUR/USD           | 1.1224 | 0.0021      | 0.0067  | 0.0132    | 0.0254  |             | Index         |
| USD/JPY           | 145.92 | -0.51       | -1.51   | -2.93     | -5.39   | NZX50       | 12,467        |
| GBP/USD           | 1.3241 | 0.0002      | 0.0005  | 0.0010    | 0.0012  | ASX200      | 8,192         |
| EUR/GBP           | 0.8475 | 0.0015      | 0.0046  | 0.0092    | 0.0181  | Dow Jones   | 41,368        |
| USD/CNY           | 7.234  | -0.0181     | -0.0524 | -0.1046   | -0.2103 | S&P 500     | 5,686         |
|                   |        |             |         |           |         | FTSE100     | 8,532         |
|                   |        |             |         |           |         | DAX 30      | 23,353        |
|                   |        |             |         |           |         | Nikkei      | 36,929        |
| INTEREST          |        | New Zealand |         | Australia |         | COMMODITIES |               |
| RATES             |        | Mid         |         | Mid       |         |             | USD           |
| 30 day bank bills |        | 3.53%       |         | 3.93%     |         | Brent Crude | 62.91         |
| 90 day bank bills |        | 3.38%       |         | 3.88%     |         | Gold        | 3,307.46      |
| 1 year swap       |        | 3.07%       |         | 3.44%     |         | Silver      | 32.40         |
| 2 year swap       |        | 3.08%       |         | 3.33%     |         | Iron Ore    | 99.33         |
| 3 year swap       |        | 3.19%       |         | 3.36%     |         | CRB Index   | 356.47        |
| 5 year swap       |        | 3.45%       |         | 3.74%     |         |             |               |
| 10 year swap      |        | 3.97%       |         | 4.17%     |         |             | NZD           |
| 3 year Govt bond  |        | 3.47%       |         | 3.38%     |         | NZ Carbon   | 53.30         |
| 5 year Govt bond  |        | 3.85%       |         | 3.64%     |         |             |               |
| 10 year Govt bond |        | 4.54%       |         | 4.33%     |         |             |               |

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