

Market Alert

Tuesday 13 May 2025

CURRENCIES	Spot	6mths
NZD/USD	0.5857	0.0038
NZD/AUD	0.9197	0.0033
NZD/JPY	86.935	-1.20
NZD/EUR	0.5281	-0.0029
NZD/GBP	0.4445	0.0024
NZD/CNH	4.3248	-0.0352
AUD/USD	0.6368	0.0018
AUD/EUR	0.5741	-0.0053
EUR/USD	1.1091	0.0131
USD/CNH	7.1986	-0.1058
GBP/USD	1.3175	0.0011
EUR/GBP	0.8415	0.0091
INT RATES	NZ	Australia
OCR/Cash	3.50%	4.10%
90 day bills	3.37%	3.86%
2 year swap	3.08%	3.44%
10 year Govt	4.62%	4.45%

Could this man actually be a genius?

I don't know about that, but what I do know is that 24 hours ago I wasn't expecting this announcement ...

The US and China will slash tariffs on each other's products for 90 days in a move to cool trade tensions. The US said it would lower tariffs on Chinese goods from 145.0% to 30.0%, while China will cut levies on US imports from 125.0% to 10.0%. It is worth remembering that before the tariff war begun, Chinese goods had a 15.0% tariff while US goods were at zero, so it would appear both sides can walk away from the negotiations claiming a 'victory' of sorts.

US equity markets rallied strongly, gaining between 3.0%-4.0%, while the European exchanges firmed 1.0%-2.0%. Tech stocks were the biggest beneficiaries of the US-China trade news, but they're also a test

of whether the tariff optimism will hold. Commodity markets also rebounded with oil prices firming 1.25%, which saw crude recapture the USD61.00 level, while gold prices saw a rapid unwind, falling -2.65%, while copper, surprisingly, held on to last week's losses, significantly underperforming other base metals and falling a further -0.7%.

Treasury yields gapped higher on the assumption global growth will rebound, which saw the 2-years firm 9bps to 4.30% while the 10-years gained 8bps to 4.47% with, at this stage, markets pricing in just two 25bps rate cuts in the US by calendar year end. At this stage, we should anticipate the NZ and AU swap markets opening in the region of 5-10bps higher.

The USD-index also jumped higher, 1.50% to be exact, to reach a 4-week high as we saw an immediate rebound in US-related confidence. There is no doubt this does impact the long-term perception that the USD-index could be entering into a multi-cycle sell trend, but the 99.50-100.00 level still remains key to that movement, with the index currently at 101.75 and below resistance at 101.80. The NZD/USD was weakened, although it is still in its 0.5825-0.6035 range, as was the AUD/USD, which is in its 0.6315-0.6550 range.

And the best of the rest ...

While the tariff agreement is good news, the risk of higher consumer prices and slower growth will still weigh on the US economy. As Fed member Austin Goolsbee stated, "The way that we're

doing this is not free for the economy. Tariffs will still have a stagflationary impulse, the temporary nature of the deal would weigh on the economy. The bar for action has to be high, and the Fed can afford to take its time on policy decisions."

Fed colleague Adriana Kugler added, "It's critical to keep long-term inflation expectations anchored. Tariffs are still likely to lead to slower growth and higher inflation. The uncertainty around tariffs has already impacted the economy. The Fed's policy stance is somewhat restrictive and well positioned."

Trump announced he'll also be signing an order that will almost immediately lower prescription drug and pharmaceutical prices by 30.0%-80.0%.

The FT announced Chinese companies are accelerating a purge of foreign components from their supply chains.

On the back of the tariff deal, JPMorgan has lifted its forecasts for Chinese economic growth to 4.8% compared to the bank's previous forecast of 4.1%.

BoE member Alan Taylor confirmed he voted for a 50bps cut last week as, "The disinflationary process was under way last year. I see myself as being a bit activist." Meanwhile, the UK employment hiring intentions gauge fell to its lowest level on record (excluding Covid), falling from 13 to 8.

Looking at the US-Japan tariff negotiations, Japanese PM Ishiba confirmed, "Autos, agriculture, and airplane parts are all separate from security matters," while Economy Minister Akazawa added, "Security and FX are not part of the trade discussions."



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Daily Rates

Tuesday 13 May 2025

FX	Spot	FECs (mid)				Spot Mid	
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...
NZ TWI	69.10					CAD	0.8190 0.8905
NZD/USD	0.5857	0.0006	0.0018	0.0038	0.0064	CHF	0.4949 0.5384
NZD/AUD	0.9197	0.0005	0.0016	0.0033	0.0056	CNY	4.2184 4.5864
NZD/JPY	86.935	-0.24	-0.63	-1.20	-2.32	DKK	3.9374 4.2824
NZD/EUR	0.5281	-0.0006	-0.0015	-0.0029	-0.0061	FJD	1.3122 1.4272
NZD/GBP	0.4445	0.0004	0.0012	0.0024	0.0042	HKD	4.5619 4.9616
						KRW	829.79 902.49
AU TWI	60.00					MYR	2.5141 2.7344
AUD/USD	0.6368	0.0003	0.0008	0.0018	0.0030	NOK	6.1120 6.6475
AUD/NZD	1.0865	-0.0006	-0.0020	-0.0041	-0.0072	SEK	5.7431 6.2463
AUD/JPY	94.67	-0.31	-0.86	-1.64	-3.06	SGD	0.7644 0.8314
AUD/EUR	0.5741	-0.0009	-0.0026	-0.0053	-0.0102	TWD	17.78 19.34
AUD/GBP	0.4832	0.0001	0.0004	0.0009	0.0016	ZAR	10.71 11.65
USD Index	101.81					EQUITIES	
EUR/USD	1.1091	0.0022	0.0064	0.0131	0.0247		Index
USD/JPY	148.41	-0.55	-1.53	-2.98	-5.51	NZX50	12,677
GBP/USD	1.3175	0.0002	0.0005	0.0011	0.0013	ASX200	8,234
EUR/GBP	0.8415	0.0016	0.0046	0.0091	0.0177	Dow Jones	42,410
USD/CNY	7.2018	-0.0190	-0.0519	-0.1045	-0.2135	S&P 500	5,826
						FTSE100	8,605
						DAX 30	23,567
						Nikkei	37,644
INTEREST		New Zealand		Australia		COMMODITIES	
RATES		Mid		Mid			USD
30 day bank bills		3.50%		3.91%		Brent Crude	64.76
90 day bank bills		3.37%		3.86%		Gold	3,233.79
1 year swap		3.16%		3.54%		Silver	32.56
2 year swap		3.13%		3.45%		Iron Ore	98.55
3 year swap		3.25%		3.50%		CRB Index	360.94
5 year swap		3.51%		3.85%			
10 year swap		4.03%		4.28%			
3 year Govt bond		3.53%		3.50%			
5 year Govt bond		3.92%		3.76%			
10 year Govt bond		4.62%		4.45%		NZ Carbon	53.50

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