Market Alert

CURRENCIES	Spot	6mths
NZD/USD	0.5939	0.0038
NZD/AUD	0.9173	0.0032
NZD/JPY	87.560	-1.23
NZD/EUR	0.5308	-0.0030
NZD/GBP	0.4464	0.0024
NZD/CNH	4.3248	-0.0354
AUD/USD	0.6472	0.0018
AUD/EUR	0.5785	-0.0053
EUR/USD	1.1187	0.0135
USD/CNH	7.1978	-0.1053
GBP/USD	1.3301	0.0011
EUR/GBP	0.8407	0.0093

INT RATES	NZ	Australia
OCR/Cash	3.50%	4.10%
90 day bills	3.37%	3.85%
2 year swap	3.14%	3.45%
10 year Govt	4.68%	4.52%

The good news keeps on coming ... for the US ...

... after annual headline inflation eased to 2.3% in April, the lowest since February 2021, down from 2.4% in March and below expectations at 2.4%. Annual core inflation came out in line with expectations, and last month's print, at 2.8%. On a monthly basis, headline inflation firmed from last month's -0.1% to 0.2%, while the core measures firmed from 0.1% to 0.2%. both were slightly lower than expectations.

Looking at the other releases ...

• US hourly earnings flatlined at 1.4% on the year, although weekly earnings jumped from a revised 1.1% to 1.7%.

• US household debt increased by USD167bn from the prior quarter to a record high of USD18.2trn in Q1 2025.

• US small business optimism fell 1.6 points to its lowest level since October 2024 at 95.8.

• The German ZEW investment sentiment index recovered from its 2-year low in April to surge 39.2 points higher to 25.2 in May. Market expectations had been at 11.9.

• The UK unemployment rate printed in line with expectations at 4.5%, while wages, excluding bonuses, rose by 5.6% in Q1, which was lower than Q4's 5.9% gain.

• Australian business confidence firmed from -4 to -1, although business conditions eased from 3 to 2. Consumer confidence also rebounded after the election, bouncing from -6 to 2.2.

Overall, it was a pretty positive night, although US longer-dated yields firmed after the softer than expected CPI data with the 10-years 2bps higher at 4.50%, against this, the 2-years fell 1bps to 4.03% which steepened the curve. Markets are now pricing in just 52bps of cuts by the Fed in 2025, compared to over 100bps 2-weeks ago. The USD-index gave up some of the prior session's gains, having failed at a key resistance level with the index now back below the 101.00 level. This saw the NZD and AUD both bounce back with the NZD/USD, at its key pivot level, at 0.5935 and the AUD/USD at 0.6475. Interestingly, the NZD/AUD has fallen through key support at 0.9185, while the JPY, EUR and CNH all weakened overnight. Equity and commodity markets also had positive sessions locking in further gains.

With President Trump chasing the petrol-dollar ...

... the White House announced the new administration has secured USD600bn in investment commitments from Saudi Arabia. The agreements are set to 'strengthen' areas such as energy security, technology leadership and access to critical minerals. Saudi Aramco also announced plans to invest a further USD3.4bn on its Motiva refinery in Texas, even though it's already the largest refinery in the in the US.

The new tariff agreement between the US and China arrived just in time according to the GEP Global Supply Chain Volatility Index, as the tariffs saw North American and Asian manufacturing plummet while there was also a steep retreat in April purchasing activity after the rush to hoard supply.

The US treasury announced new sanctions against Iran targeting global shipping networks, while the Trump administration terminated a further USD450mn in grants to Harvard University.

ECB policymaker Joachim Nagel said nothing interesting, stating, *"It's important to be cautious and not overreact. We will continue to apply a data-driven approach. Decisions to be taken at each meeting."*

Goldman Sachs now expects the ECB to reach a terminal rate at 1.75% in July, which is slightly higher than its previous projection of a 1.50% base in September.

But it's not all good news ...

... out of 184 leading countries, the US is the only country that is projected to lose tourism dollars this year USD12.5bn to be exact! It might be time to sell those Disney shares ...

Daily Rates

FX	Spot Mid	FECs (mid) 1mth	3mths	6mths	12mths		Spot Mid NZD/...	AUD/...
NZ TWI	68.60					CAD	0.8273	0.9017
NZD/USD	0.5939	0.0006	0.0019	0.0038	0.0068	CHF	0.4984	0.5435
NZD/AUD	0.9173	0.0005	0.0017	0.0032	0.0056	CNY	4.2767	4.6613
NZD/JPY	87.560	-0.23	-0.63	-1.23	-2.30	DKK	3.9589	4.3149
NZD/EUR	0.5308	-0.0005	-0.0015	-0.0030	-0.0060	FJD	1.3269	1.4463
NZD/GBP	0.4464	0.0004	0.0012	0.0024	0.0043	HKD	4.6296	5.0459
						KRW	839.92	915.45
AU TWI	59.90					MYR	2.5652	2.7959
AUD/USD	0.6472	0.0003	0.0008	0.0018	0.0032	NOK	6.1440	6.6965
AUD/NZD	1.0897	-0.0006	-0.0021	-0.0041	-0.0072	SEK	5.7703	6.2892
AUD/JPY	94.71	-0.30	-0.87	-1.68	-3.10	SGD	0.7724	0.8419
AUD/EUR	0.5785	-0.0009	-0.0027	-0.0053	-0.0102	TWD	18.07	19.70
AUD/GBP	0.4863	0.0001	0.0004	0.0009	0.0016	ZAR	10.85	11.82

						EQUITIES		
USD Index	100.94							Index
EUR/USD	1.1187	0.0022	0.0066	0.0135	0.0252	NZX50		12,787
USD/JPY	147.44	-0.53	-1.52	-3.00	-5.50	ASX200		8,269
GBP/USD	1.3301	0.0002	0.0005	0.0011	0.0017	Dow Jones		42,140
EUR/GBP	0.8407	0.0015	0.0046	0.0093	0.0176	S&P 500		5,894
USD/CNY	7.2057	-0.0185	-0.0525	-0.1069	-0.2155	FTSE100		8,603
						DAX 30		23,639

INTEREST RATES	New Zealand Mid	Australia Mid		Nikkei	38,183
30 day bank bills	3.49%	3.88%		COMMODITIES	
90 day bank bills	3.37%	3.85%			USD
1 year swap	3.15%	3.54%		Brent Crude	66.54
2 year swap	3.19%	3.46%		Gold	3,248.65
3 year swap	3.32%	3.52%		Silver	32.92
5 year swap	3.58%	3.89%		Iron Ore	99.75
10 year swap	4.10%	4.34%		CRB Index	367.09
3 year Govt bond	3.60%	3.60%			
5 year Govt bond	3.99%	3.85%			NZD
10 year Govt bond	4.68%	4.52%		NZ Carbon	53.50

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