

Market Alert

Friday 30 May 2025

CURRENCIES	Spot	6mths
NZD/USD	0.5979	0.0037
NZD/AUD	0.9273	0.0023
NZD/JPY	86.155	-1.21
NZD/EUR	0.5260	-0.0033
NZD/GBP	0.4430	0.0023
NZD/CNH	4.2815	-0.0376
AUD/USD	0.6446	0.0022
AUD/EUR	0.5670	-0.0051
EUR/USD	1.1366	0.0139
USD/CNH	7.1872	-0.1059
GBP/USD	1.3494	0.0010
EUR/GBP	0.8422	0.0096
INT RATES	NZ	Australia
OCR/Cash	3.25%	3.85%
90 day bills	3.31%	3.78%
2 year swap	3.27%	3.26%
10 year Govt	4.71%	4.47%

Following on from the rate cut

... the leadership team at the RBNZ testified before a Parliamentary sub-committee hearing yesterday. Governor Hawkesby started, "We see near term growth headwinds. There are weaker demand and weaker inflation pressures than there were in February. There are a lot of different ways that this could play out from here. There is uncertainty around where the tariffs will land ... they could be very different (from what we're currently seeing)." Chief Economist Conway added, "We are probably a little more pessimistic on New Zealand's medium-term productivity performance. Inflation expectations have nudged up across the board, which is not ideal", while Assistant Governor Silk chimed in with, "We are forecasting a modest increase in house prices due to the rate cuts. New Zealand house prices are at the top end of our sustainable house price range."

NZ business confidence fell 12 points from 49.3 to 36.6 in May, its lowest level since July 2024, while the expected 'own activity' index fell 13 points from 47.7 to 34.8.

The ying to the geo-political yang!

Yesterday, the US Court of International Trade ruled that President Trump overstepped his authority in imposing reciprocal tariffs. The federal court declared the tariffs "unlawful to all" and ordered them to be vacated and permanently blocked. The White House immediately appealed the decision, and this morning an appeals court reinstated the tariffs on a temporary basis. Ultimately, there will be a lot more 'to'ing and fro'ing to go with this, but if nothing else, it does highlight that the tariff war still has a long way to go ...

The initial ruling saw the USD-index stage a mini-recovery, although it lacked conviction, and as we open this morning, the index is now 0.5% lower on the day. The EUR and the JPY were the biggest beneficiaries, while the NZD underperformed on the sell-off, and on the rally. US bond markets ticked lower with the 2 and 10-year yields falling 5bps to yield 3.95% and 4.43% respectively, on the weakening US data. Equities gapped higher on the open, only to lose momentum as the day progressed. Still, most exchanges will lock-in gains of between 3.0%-7.0% on the month! Commodity markets closed higher, apart from energy products which were lower with oil prices falling 1.5% with crude back below the USD61.00 level.

The Fed's Austan Goolsbee confirmed, "If the court ruling on tariffs leads to a further extension of the uncertainty, that would be more negative. The administration could use other justifications to impose tariffs."

President TACO (Trump Always Chickens Out) met with Fed Chair Jerome Powell at the White House today, with the President pushing the Fed Chair to lower interest rates, stating, "This is putting us at an economic disadvantage to China and other countries!" Powell responded by emphasising Fed policy would be dependent on the data and the outlook.

The US economy contracted 0.2% in Q1, the first GDP decline in 3-years, although it was slightly better than the -0.3% estimate.

US initial jobless claims jumped by 14k to 240k, which saw continuing claims rise 26k to 1,919k, its highest level since November 2021.

The Bank of Korea cut its base interest rate by 25bp, from 2.75% to 2.50%, while the South African Reserve Bank also cut by 25bps, to 7.25%. Both cuts had been anticipated by markets.

A big shout-out to my mate, Tony P!

Having been to Wembley 6-times to watch his beloved Sunderland play ... and lose each time ... big Tony took the chance and flew to the UK to watch Sunderland play in the 'richest game of football'. Not only did Sunderland win, Tony got to meet the legend, and the housewife's favourite, Barry Glendenning at the stadium!



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Daily Rates

Friday 30 May 2025

FX	Spot	FECs (mid)				Spot Mid	
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...
NZ TWI	69.10					CAD	0.8251 0.8899
NZD/USD	0.5979	0.0006	0.0019	0.0037	0.0061	CHF	0.4918 0.5306
NZD/AUD	0.9273	0.0006	0.0015	0.0023	0.0034	CNY	4.2945 4.6307
NZD/JPY	86.155	-0.20	-0.63	-1.21	-2.37	DKK	3.9217 4.2294
NZD/EUR	0.5260	-0.0004	-0.0016	-0.0033	-0.0071	FJD	1.3330 1.4376
NZD/GBP	0.4430	0.0004	0.0012	0.0023	0.0041	HKD	4.6869 5.0547
						KRW	819.05 883.32
AU TWI	59.70					MYR	2.5342 2.7331
AUD/USD	0.6446	0.0003	0.0010	0.0022	0.0038	NOK	6.0507 6.5255
AUD/NZD	1.0778	-0.0008	-0.0019	-0.0032	-0.0046	SEK	5.7115 6.1597
AUD/JPY	93.44	-0.28	-0.83	-1.55	-2.91	SGD	0.7687 0.8290
AUD/EUR	0.5670	-0.0009	-0.0027	-0.0051	-0.0097	TWD	17.82 19.22
AUD/GBP	0.4776	0.0001	0.0005	0.0012	0.0025	ZAR	10.64 11.47
USD Index	99.33					EQUITIES	
EUR/USD	1.1366	0.0022	0.0069	0.0139	0.0265		Index
USD/JPY	144.11	-0.49	-1.49	-2.89	-5.39	NZX50	12,281
GBP/USD	1.3494	0.0002	0.0005	0.0010	0.0010	ASX200	8,410
EUR/GBP	0.8422	0.0015	0.0047	0.0096	0.0190	Dow Jones	42,221
USD/CNY	7.1855	-0.0162	-0.0504	-0.1008	-0.2069	S&P 500	5,604
						FTSE100	8,716
						DAX 30	23,933
						Nikkei	38,433
INTEREST		New Zealand		Australia		COMMODITIES	
RATES		Mid		Mid			USD
30 day bank bills		3.36%		3.81%		Brent Crude	64.18
90 day bank bills		3.31%		3.78%		Gold	3,316.10
1 year swap		3.21%		3.38%		Silver	33.32
2 year swap		3.31%		3.27%		Iron Ore	99.39
3 year swap		3.45%		3.29%		CRB Index	355.83
5 year swap		3.71%		3.69%			
10 year swap		4.19%		4.18%			
3 year Govt bond		3.70%		3.47%			
5 year Govt bond		4.07%		3.74%			
10 year Govt bond		4.71%		4.47%		NZ Carbon	55.75

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