

Market Alert

Tuesday 3 June 2025

CURRENCIES	Spot	6mths
NZD/USD	0.6042	0.0037
NZD/AUD	0.9300	0.0023
NZD/JPY	86.225	-1.21
NZD/EUR	0.5279	-0.0032
NZD/GBP	0.4460	0.0024
NZD/CNH	4.3443	-0.0353
AUD/USD	0.6495	0.0023
AUD/EUR	0.5675	-0.0049
EUR/USD	1.1443	0.0140
USD/CNH	7.2080	-0.1018
GBP/USD	1.3545	0.0009
EUR/GBP	0.8447	0.0096
INT RATES	NZ	Australia
OCR/Cash	3.25%	3.85%
90 day bills	3.32%	3.76%
2 year swap	3.24%	3.24%
10 year Govt	4.63%	4.36%

Let's shed a tear for the Shrimpers ...

... they made it through a 6-game play-off to get to Wembley, only to fall in extra time!

Well ... we did warn you!

As we've been saying for a while ... the trade war isn't over, and in the latest twist, President Trump announced double tariffs on imported steel and aluminium, lifting the import tax to 50.0%. The move is designed to escalate tensions with both China and the EU after China pushed back against US accusations that it was violating its trade 'truce,' with Washington attempting to exert pressure on Beijing with fresh tech controls after accusing China of failing to speed up rare earth exports, while the

trade discussions with the EU continue to stall. Could this be the last desperate negotiation tactic of a cornered man? I'm not so sure, and I suspect there will be a lot more twists and turns before this is eventually resolved ... potentially in another 3.5 years' time!

The general view on the latest tariff charges is that US steel prices will climb higher while it will generate *"increased downward pressure to selling prices"* in Europe. But despite the steel tariffs, commodity prices were higher after copper prices surged almost 5.0% as investors braced for the possibility of US tariffs on copper imports, while oil prices rallied 3.7% after OPEC+'s announcement of a steady production increase, which eased fears of a sharper supply surge. Surprisingly, equity prices also opened the month higher, although the USD-index continued its slide towards a 3-year low amid the weak US data, with the NZD and AUD the strongest performers. The trade uncertainty and risk-off sentiment weighed on treasuries, which saw the 2 and 10-years firm 4bps to 3.95% and 4.45%, respectively.

Scott Bessent stated emphatically that the US *"is never going to default"* on its debt!

Fed member Christopher Waller confirmed, *"I can still see a path to a rate cut this year,"* while Chicago colleague Austin Goolsbee added, *"So far, we've had excellent inflation reports (although we) don't know if that will remain true in the next 1-2 months. I think rates can come down over the next 12 - 18 months."*

Breaking the recent releases down ...

- US ISM manufacturing PMIs in the US fell to 48.5 in May from 48.7 in April, below market expectations of 49.5.
- China's official NBS manufacturing PMIs rose to 49.5 in May from April's 16-month low of 49.0, non-manufacturing PMIs edged down to 50.3 from 50.4, which saw the composite index inch up to 50.4 from April's 3-month low of 50.2.
- Japanese Tokyo inflation printed at 3.4%, which was in line with expectations, while the core firmed to 3.6%, its highest level since January 2023. The Japanese unemployment rate also aligned with expectations at 2.5%.
- Last week, NZ May consumer confidence plunging from 98.3 to 92.9 with the inflation expectations index remaining elevated at 4.6%.

The week ahead ...

The first week of the month is always a busy one, and the first week in June is no exception in spite of the latest trade implications! From the US, it's all about the jobs market with non-farm payrolls, JOLTs job openings, unemployment, hourly earnings, initial and continuing claims, as well as PMIs, factory orders and construction spending. From the Eurozone we have inflation, unemployment, PMIs, PPIs and the ECB's June meeting. We also have the BoC meeting, the RBA minutes from their May meeting, as well as Australian trade and Q1 GDP, and locally, we have terms of trade, house prices, and the GDT auction.



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Daily Rates

Tuesday 3 June 2025

FX	Spot	FECs (mid)				Spot Mid	
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...
NZ TWI	69.20					CAD	0.8280 0.8903
NZD/USD	0.6042	0.0006	0.0019	0.0037	0.0059	CHF	0.4934 0.5307
NZD/AUD	0.9300	0.0005	0.0014	0.0023	0.0026	CNY	4.2910 4.6278
NZD/JPY	86.225	-0.23	-0.62	-1.21	-2.35	DKK	3.9383 4.2344
NZD/EUR	0.5279	-0.0006	-0.0016	-0.0032	-0.0071	FJD	1.3407 1.4414
NZD/GBP	0.4460	0.0004	0.0012	0.0024	0.0040	HKD	4.7387 5.0956
						KRW	831.37 893.85
AU TWI	59.80					MYR	2.5692 2.7623
AUD/USD	0.6495	0.0003	0.0010	0.0023	0.0042	NOK	6.0805 6.5375
AUD/NZD	1.0748	-0.0007	-0.0017	-0.0031	-0.0048	SEK	5.7488 6.1859
AUD/JPY	92.53	-0.30	-0.81	-1.53	-2.84	SGD	0.7763 0.8346
AUD/EUR	0.5675	-0.0010	-0.0026	-0.0049	-0.0097	TWD	18.12 19.48
AUD/GBP	0.4793	0.0001	0.0005	0.0013	0.0027	ZAR	10.78 11.59
USD Index	98.67					EQUITIES	
EUR/USD	1.1443	0.0024	0.0070	0.0140	0.0267		Index
USD/JPY	142.70	-0.53	-1.47	-2.84	-5.26	NZX50	12,419
GBP/USD	1.3545	0.0002	0.0005	0.0009	0.0008	ASX200	8,414
EUR/GBP	0.8447	0.0016	0.0048	0.0096	0.0189	Dow Jones	42,305
USD/CNY	7.1991	-0.0181	-0.0508	-0.1012	-0.2093	S&P 500	5,934
						FTSE100	8,774
						DAX 30	23,931
						Nikkei	37,471
INTEREST		New Zealand		Australia		COMMODITIES	
RATES		Mid		Mid			USD
30 day bank bills		3.36%		3.80%		Brent Crude	65.24
90 day bank bills		3.32%		3.76%		Gold	3,379.74
1 year swap		3.21%		3.35%		Silver	34.74
2 year swap		3.28%		3.25%		Iron Ore	95.98
3 year swap		3.41%		3.30%		CRB Index	361.10
5 year swap		3.65%		3.70%			
10 year swap		4.13%		4.20%			
3 year Govt bond		3.68%		3.35%			
5 year Govt bond		4.02%		3.63%			
10 year Govt bond		4.63%		4.36%		NZ Carbon	55.55

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