

Market Alert

Wednesday 4 June 2025

CURRENCIES	Spot	6mths
NZD/USD	0.5998	0.0037
NZD/AUD	0.9281	0.0022
NZD/JPY	86.425	-1.20
NZD/EUR	0.5276	-0.0032
NZD/GBP	0.4438	0.0023
NZD/CNH	4.3168	-0.0355
AUD/USD	0.6461	0.0023
AUD/EUR	0.5683	-0.0049
EUR/USD	1.1368	0.0139
USD/CNH	7.1918	-0.1028
GBP/USD	1.3514	0.0011
EUR/GBP	0.8410	0.0095

INT RATES	NZ	Australia
OCR/Cash	3.25%	3.85%
90 day bills	3.32%	3.76%
2 year swap	3.23%	3.21%
10 year Govt	4.67%	4.35%

Maybe I'm being a bit callous ...

... but after an emergency visit to a vet on a bank holiday, and the buggar waking me up at 4:45am this morning, the only advice I can give is ... don't ever get a pet!

The OECD ...

... provided its latest economic update and, somewhat unsurprisingly, has forecast a slowing in global growth. Inflation is also expected to slow, although core inflation is projected to remain above central bank targets in many countries, including the US. Significant risks remain, with a further fragmentation of the global economy the key concern as higher and broader increases in trade barriers would hit growth around and add to inflation. Central banks should remain vigilant given the heightened uncertainty and the potential for higher

trade costs that would push up wage and price pressures, while fiscal discipline is needed to ensure debt sustainability and to maintain government's ability to react to future shocks.

And right on queue, Eurozone inflation eased from 2.2% in April to 1.9% in May. Expectations had been at 2.0%. Looking at the other overnight releases ...

- US job openings unexpectedly increased by 191k to 7.391m in April, which was above forecasts at 7.10m.

- New orders for US manufactured goods fell -3.7% to USD594.6bn following March's 3.4% gain.

- Chinese Caixin manufacturing PMIs fell to their lowest level since September 2022, with their first contraction in 8 months, after the index dropped to 48.3.

- Australian business inventories rose 0.8% in Q1, exceeding both expectations and the previous quarter's 0.2% increase while the current account deficit narrowed, to AUD14.7bn in Q1 from Q4's upwardly revised AUD16.3bn. Australia raised its minimum wage by 3.5%.

- New Zealand's terms of trade increased 1.9% in Q1, below Q4's revised 3.1% increase. Export prices climbed 7.1%, driven by a 10.0% jump in dairy prices, while import prices rose 5.1%. The GDT auction saw the Price Index ease -1.6% to USD4,332 with WMP prices falling -3.7% while SMP eased -1.1%. The biggest loser was butter milk powder which fell -6.1%.

The RBAs minutes from their May 25bps rate cut meeting highlighted that the cut was justified after witnessing gains

in the battle against inflation, while weaker domestic spending and global uncertainties also supported the call for the cut. A larger 50bps cut was discussed but ruled out, as inflation had not yet returned sustainably to target while the labour market also remained tight. Inflation is expected to remain within its 2.0%-3.0% target range, while the RBA also signalled a readiness to respond further should downside risks materialise.

Rent-a-quote Fed member Austin Goolsbee confirmed, *"Tariffs can be stagflationary since, in theory, they worsen jobs and inflation at the same time. We have to wait and see if tariffs have a big or small impact on inflation. We could see a direct tariff effect on prices within a month, (although) a slowdown related to tariffs might not show up in the data for a while."*

BoJ Governor Ueda weakened his tone, and the JPY, stating, *"There is no preset plan for rate hikes. We will raise interest rates only if the economy and prices turn up again."*

Ultimately though ...

... it all meant diddly squat, with markets relatively flat. Equity markets closed in positive territory with most exchanges 0.25%-0.75% higher, commodity prices were also modestly higher with oil the standout performer gaining 1.5% on the day, US treasury yields firmed with the 2-years 2bps higher at 3.97% and the 10-years firming a pip to 4.47%, while, finally, FX markets were quiet following on from our close last night with the NZD and AUD trading at 0.6000 and 0.6465 against the USD.



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Daily Rates

Wednesday 4 June 2025

FX	Spot	FECs (mid)				Spot Mid	
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...
NZ TWI	69.90					CAD	0.8225 0.8863
NZD/USD	0.5998	0.0006	0.0019	0.0037	0.0061	CHF	0.4941 0.5327
NZD/AUD	0.9281	0.0005	0.0014	0.0022	0.0030	CNY	4.3115 4.6444
NZD/JPY	86.425	-0.22	-0.62	-1.20	-2.35	DKK	3.9339 4.2390
NZD/EUR	0.5276	-0.0005	-0.0016	-0.0032	-0.0071	FJD	1.3354 1.4390
NZD/GBP	0.4438	0.0004	0.0012	0.0023	0.0040	HKD	4.7036 5.0683
						KRW	826.36 890.45
AU TWI	59.80					MYR	2.5423 2.7395
AUD/USD	0.6461	0.0003	0.0011	0.0023	0.0045	NOK	6.0870 6.5591
AUD/NZD	1.0772	-0.0007	-0.0017	-0.0029	-0.0040	SEK	5.7753 6.2232
AUD/JPY	92.11	-0.30	-0.81	-1.52	-2.82	SGD	0.7732 0.8332
AUD/EUR	0.5683	-0.0009	-0.0026	-0.0049	-0.0095	TWD	17.98 19.38
AUD/GBP	0.4780	0.0001	0.0006	0.0013	0.0028	ZAR	10.72 11.55
USD Index	99.26					EQUITIES	
EUR/USD	1.1368	0.0023	0.0070	0.0139	0.0266		Index
USD/JPY	144.06	-0.52	-1.49	-2.88	-5.31	NZX50	12,327
GBP/USD	1.3514	0.0002	0.0006	0.0011	0.0013	ASX200	8,467
EUR/GBP	0.8410	0.0016	0.0047	0.0095	0.0187	Dow Jones	42,530
USD/CNY	7.1872	-0.0177	-0.0508	-0.1015	-0.2095	S&P 500	5,971
INTEREST		New Zealand		Australia		FTSE100	8,787
RATES		Mid		Mid		DAX 30	24,092
30 day bank bills			3.36%		3.81%	Nikkei	37,447
90 day bank bills			3.32%		3.76%	COMMODITIES	
1 year swap			3.20%		3.33%		USD
2 year swap			3.28%		3.22%	Brent Crude	65.67
3 year swap			3.41%		3.28%	Gold	3,351.30
5 year swap			3.68%		3.70%	Silver	34.56
10 year swap			4.17%		4.18%	Iron Ore	95.95
3 year Govt bond			3.67%		3.34%	CRB Index	363.45
5 year Govt bond			4.03%		3.62%		NZD
10 year Govt bond			4.67%		4.35%	NZ Carbon	55.65

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