

# Market Alert

Friday 6 June 2025

CURRENCIES	Spot	6mths
NZD/USD	0.6038	0.0036
NZD/AUD	0.9279	0.0022
NZD/JPY	86.750	-1.20
NZD/EUR	0.5279	-0.0032
NZD/GBP	0.4448	0.0023
NZD/CNH	4.3155	-0.0354
AUD/USD	0.6505	0.0022
AUD/EUR	0.5687	-0.0049
EUR/USD	1.1437	0.0136
USD/CNH	7.1744	-0.1012
GBP/USD	1.3570	0.0010
EUR/GBP	0.8425	0.0093

INT RATES	NZ	Australia
OCR/Cash	3.25%	3.85%
90 day bills	3.32%	3.75%
2 year swap	3.16%	3.24%
10 year Govt	4.60%	4.34%

## Despite the rate cut, divorce, and poor data ...

... last night was a relatively stable session. Equity markets lost a little of the shine, easing -0.25% to -0.75%, while commodities were broadly 1.0% higher. Currency markets were quiet, with the AUD cementing itself above the 0.6500 level, while the NZD continues to trade around the 0.6035 level, although it should be noted the JPY took a bit of a kicking. Finally, bond yields recovered as the 2 and 10-years firmed 5bps and 4bps to yield 3.94% and 4.40%, respectively.

## As was expected ...

... the ECB stepped up to the plate, cutting its key interest rates by 25 bps, with the deposit rate now at 2.00%. The ECB has now undertaken 8 rate cuts totalling 200bps since June last year although ECB

President Christine Lagarde suggested the cutting cycle is nearing its end-zone, stating, "I think we are getting to the end of a monetary policy cycle that was responding to compounded shocks, including COVID, the illegitimate war in Ukraine, and the energy crisis." Sources from the meeting suggest a 'visible majority' expressed preference for pausing the cutting cycle in July, with markets now pricing one further 25bps cut, with a 25.0% chance of a second.

Eurozone PPIs recorded their steepest monthly decline since April 2023 at 0.7% in April, down from March's 1.9% and below market expectations of 1.2%, although there was a positive in that German factory orders unexpectedly rose 0.6% in April, defying market expectations of a -1.0% drop.

The US trade deficit narrowed by the most on record in April as imports plummeted 16.3% to a 6-month low of USD351bn as the 'front-loading' impact stopped in the wake of 'Liberation Day.' This saw the US trade gap narrow sharply to USD61.6bn in April, its lowest since September 2023, compared with March's USD138.3bn deficit.

In a further 'sign of the times,' initial jobless claims rose to their highest level since October after they increase 8k on the week to 247k, although continuing claims eased by 3k to 1,904k. Finally, the Atlanta Fed GDPNow eased from 4.6% to 3.8%.

KC Fed President Jeffrey Schmid confirmed, "The extent of tariff-driven price push won't be evident for some time. I expect tariffs to start to show through prices

in coming months. Policy needs to be nimble. I am optimistic that economic activity can be sustained." Colleague Adriana Kugler added, "Inflation will be the first order effect, the other effects will be down the road. We haven't seen the full extent of the impact of tariffs on prices."

## President Trump is also working hard to keep his name in the headlines ...

... this time reinstating travel bans on 12 countries, banning those citizens from entering the US, with restrictions on a further 7, although there was some positive news that lifted sentiment after a positive phone call between President Trump and China's President Xi, suggesting progress in trade talks.

But despite the rate cuts and good news on US-China trade, the headline writers are solely focused on one thing ... the Elon-Trump divorce ... could become the most expensive breakup in history. Currently, the most expensive divorce belongs to Bill and Melinda Gates at around USD76bn, although that number could be exceeded by the Elon-Trump separation with Tesla shares down 14%, which has cost Elon around USD18bn. Trump stated, "Elon was wearing thin. The easiest way to save money in our budget is to terminate Elon's governmental subsidies," while Elon went full nuclear with "Trump is in the Epstein files. That's the real reason they haven't been made public."



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# Daily Rates

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FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	69.70					CAD	0.8249	0.8888
NZD/USD	0.6038	0.0006	0.0018	0.0036	0.0062	CHF	0.4950	0.5336
NZD/AUD	0.9279	0.0005	0.0013	0.0022	0.0032	CNY	4.3363	4.6734
NZD/JPY	86.750	-0.21	-0.62	-1.20	-2.31	DKK	3.9367	4.2418
NZD/EUR	0.5279	-0.0005	-0.0016	-0.0032	-0.0065	FJD	1.3395	1.4433
NZD/GBP	0.4448	0.0004	0.0012	0.0023	0.0041	HKD	4.7363	5.1035
						KRW	818.20	881.63
AU TWI	59.90					MYR	2.5518	2.7497
AUD/USD	0.6505	0.0003	0.0011	0.0022	0.0042	NOK	6.0831	6.5546
AUD/NZD	1.0775	-0.0006	-0.0017	-0.0028	-0.0042	SEK	5.7784	6.2264
AUD/JPY	93.16	-0.28	-0.81	-1.53	-2.83	SGD	0.7765	0.8367
AUD/EUR	0.5687	-0.0009	-0.0025	-0.0049	-0.0092	TWD	18.08	19.48
AUD/GBP	0.4791	0.0001	0.0006	0.0013	0.0027	ZAR	10.71	11.54
USD Index	98.80					<b>EQUITIES</b>		
EUR/USD	1.1437	0.0023	0.0070	0.0136	0.0256		<b>Index</b>	
USD/JPY	143.66	-0.49	-1.48	-2.84	-5.24	NZX50	12,577	
GBP/USD	1.3570	0.0002	0.0006	0.0010	0.0009	ASX200	8,539	
EUR/GBP	0.8425	0.0015	0.0047	0.0093	0.0182	Dow Jones	42,320	
USD/CNY	7.175	-0.0163	-0.0499	-0.0995	-0.2058	S&P 500	5,947	
						FTSE100	8,811	
<b>INTEREST</b>			<b>New Zealand</b>		<b>Australia</b>	DAX 30	24,324	
<b>RATES</b>			Mid		Mid	Nikkei	37,554	
30 day bank bills			3.36%		3.81%	<b>COMMODITIES</b>		
90 day bank bills			3.32%		3.75%		<b>USD</b>	
1 year swap			3.18%		3.34%	Brent Crude	65.32	
2 year swap			3.21%		3.25%	Gold	3,357.48	
3 year swap			3.32%		3.29%	Silver	35.67	
5 year swap			3.57%		3.69%	Iron Ore	96.26	
10 year swap			4.06%		4.16%	CRB Index	365.76	
3 year Govt bond			3.59%		3.36%			
5 year Govt bond			3.94%		3.63%		<b>NZD</b>	
10 year Govt bond			4.60%		4.34%	NZ Carbon	56.50	

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