Market Alert

Wednesday 27 May 2026

CURRENCIES	Spot	6mths
NZD/USD	0.5837	0.0030
NZD/AUD	0.8143	0.0075
NZD/JPY	92.990	-0.92
NZD/EUR	0.5018	-0.0012
NZD/GBP	0.4340	0.0026
NZD/CNH	3.9604	-0.0317
AUD/USD	0.7168	-0.0029
AUD/EUR	0.6162	-0.0072
EUR/USD	1.1631	0.0086
USD/CNH	6.7844	-0.0886
GBP/USD	1.3448	-0.0012
EUR/GBP	0.8646	0.0070

INT RATES	NZ	Australia
OCR/Cash	2.25%	4.35%
90 day bills	2.62%	4.50%
2 year swap	3.50%	4.57%
10 year Govt	4.66%	5.01%

Are we there yet?

Unsurprisingly, US-Iran tensions remain the dominant market driver. Overnight, US Central Command conducted self-defence strikes in southern Iran targeting missile-launch sites and vessels attempting to lay mines near the Strait of Hormuz, even as both sides continue to signal progress toward an interim peace deal. President Trump described talks as *"proceeding nicely,"* though US Secretary of State, Marco Rubio, cautioned a final agreement could still be days away.

Markets are cautiously pricing a negotiated reopening of the Strait, with Brent crude dipping under the $100/bbl mark, down sharply from the recent highs near $120/bbl but still well above pre-conflict levels. A key sticking point remains Iran's demand for USD12 billion of its USD24 billion in frozen assets to be released upon signing.

Elsewhere in financial markets, moves were broadly consistent with cautious optimism. The USD Index finished largely flat around the 99.15 level, while the NZD continued to soften, dipping below 0.5840 against the USD, with NZD/AUD slipping to just above the 0.8140 level. US Treasury yields fell, with the 10-year yield declining 7bps to 4.49%, while the 2-year fell 8bp to 4.04%, which should see local swap rates open slightly lower this morning. Finally, US equities were the standout, with peace deal optimism driving the S&P 500 toward record highs.

The hawks are out

The global central bank policy rhetoric took a more hawkish direction overnight, with ECB Governing Council member Isabel Schnabel stating that she thinks that a June rate hike will now be needed, with *"looking through"* the current inflation spike no longer a credible option. Fellow member Olaf Sleijpen echoed this, noting the ECB is navigating between its baseline and adverse scenarios, further pushing that the risks are tilting upward on inflation and ECB interest rates. Markets have a June hike almost fully priced, with another priced before the end of the year.

In the US, new Fed Chair Kevin Warsh is barely a week into the role and already faces a difficult hand. Minneapolis Fed President Neel Kashkari stated that the Fed could embark on a series of rate hikes if Middle East-driven inflation pressures continue to build. With US consumer confidence slipping to 93.1 in May and energy prices feeding into broader CPI, the window to characterise this shock as transitory is becoming harder to argue as each day goes by.

The RBNZ takes the podium

While markets are not anticipating an OCR hike today from the RBNZ, the commentary and its forward projections will help shape pricing expectations around the timing and extent of future tightening. There are a wide range of views across the various forecasters on where the OCR is heading, ultimately dependent on an assumption of when oil prices will 'normalise' and how much of the recent price shock will extend to the broader economy.

It's still too early to make these judgements (most of the key economic statistics are horribly backward looking) but policymakers will no doubt want to reiterate their inflation-fighting credentials – credibility is key when it comes to managing inflation expectations. While global oil benchmarks are down more than 10% this month and local supply issues have been manageable, the ongoing Middle East uncertainties mean all eventualities must still be on the table. With markets pricing more than 1.00% of OCR hikes over the next 12 months, there's already a lot priced into the interest rate curve. But until there is some peace resolution, there may be reluctance from policymakers to push back too hard on market views for the time being. From a high of 3.85% last week, the 3-year swap rate has already eased to 3.65% this morning.

Daily Rates

Wednesday 27 May 2026

FX	Spot Mid	1mth	3mths	6mths	12mths
		FECs (mid)			
NZ TWI	66.50				
NZD/USD	0.5837	0.0006	0.0017	0.0030	0.0047
NZD/AUD	0.8143	0.0013	0.0038	0.0075	0.0129
NZD/JPY	92.990	-0.15	-0.43	-0.9177	-1.99
NZD/EUR	0.5018	-0.0002	-0.0005	-0.0012	-0.0033
NZD/GBP	0.4340	0.0004	0.0013	0.0026	0.0043
AU TWI	66.60				
AUD/USD	0.7168	-0.0005	-0.0014	-0.0029	-0.0059
AUD/NZD	1.2273	-0.0021	-0.0061	-0.0116	-0.0200
AUD/JPY	114.01	-0.37	-1.07	-2.17	-4.22
AUD/EUR	0.6162	-0.0013	-0.0036	-0.0072	-0.0138
AUD/GBP	0.5329	-0.0003	-0.0009	-0.0018	-0.0032
USD Index	99.14				
EUR/USD	1.1631	0.0017	0.0045	0.0086	0.0164
USD/JPY	159.29	-0.42	-1.19	-2.38	-4.63
GBP/USD	1.3448	-0.0001	-0.0003	-0.0012	-0.0032
EUR/GBP	0.8646	0.0012	0.0035	0.0070	0.0140
USD/CNY	6.786	-0.0162	-0.0450	-0.0892	-0.1742

	Spot Mid NZD/...	Spot Mid AUD/...
CAD	0.8059	0.9898
CHF	0.4583	0.5632
CNY	3.9603	4.8596
DKK	3.7479	4.6041
FJD	1.2696	1.5596
HKD	4.5723	5.6168
KRW	879.28	1080.15
MYR	2.3107	2.8385
NOK	5.4057	6.6407
SEK	5.4274	6.6672
SGD	0.7451	0.9153
TWD	18.33	22.52
ZAR	9.55	11.73

EQUITIES	Index
NZX50	13,070
ASX200	8,658
Dow Jones	50,462
S&P 500	7,519
FTSE100	10,491
DAX 40	25,185
Nikkei	64,996

INTEREST RATES	New Zealand Mid	Australia Mid
30 day bank bills	2.46%	4.36%
90 day bank bills	2.62%	4.50%
1 year swap	3.10%	4.60%
2 year swap	3.50%	4.57%
3 year swap	3.69%	4.47%
5 year swap	3.91%	4.48%
10 year swap	4.28%	4.75%
3 year Govt bond	3.78%	4.60%
5 year Govt bond	4.13%	4.67%
10 year Govt bond	4.66%	5.01%

COMMODITIES	USD
Brent Crude	99.52
Gold	4,505.83
Silver	76.95
Iron Ore	109.67
CRB Index	493.94
	NZD
NZ Carbon	53.00