

Market Alert

Thursday 28 May 2026

CURRENCIES	Spot	6mths
NZD/USD	0.5902	0.0029
NZD/AUD	0.8263	0.0072
NZD/JPY	94.145	-0.95
NZD/EUR	0.5075	-0.0013
NZD/GBP	0.4394	0.0024
NZD/CNH	4.0007	-0.0323
AUD/USD	0.7142	-0.0029
AUD/EUR	0.6140	-0.0070
EUR/USD	1.1629	0.0085
USD/CNH	6.7779	-0.0874
GBP/USD	1.3430	-0.0010
EUR/GBP	0.8656	0.0069

INT RATES	NZ	Australia
OCR/Cash	2.25%	4.35%
90 day bills	2.62%	4.50%
2 year swap	3.45%	4.62%
10 year Govt	4.65%	4.96%

That was great ...

And I'm not talking about last night's State of Origin match, which was brilliant, but an MPC vote with the members named and having to justify their decisions. How the times have changed from the old 'cone of silence' days!

The new(ish) Governor went to great pains to stress that, in signalling a hawkish shift towards imminent OCR increases, the Committee was split on the timing of hikes rather than the necessity of tightening, adding, "Our assessment is that in the near term we're likely to need some OCR hikes to push back on having the risk of inflation becoming embedded. We will act to ensure that inflation returns to target over the medium term, and that will help inflation expectations remain well anchored. We are currently at the 'lower band' of the neutral rate's range. Future OCR increases

remain on the table and are data dependent. We cannot fully rule out any rate moves at the upcoming meetings." Digging into the causes, the Governor added, "The Middle East conflict was the direct prompt for today's decision to hold the OCR at 2.25%. Even if the Gulf region conflict were to stop immediately, inflationary effects would still be expected to persist. Shipping flow disruptions have pushed up recent inflation and slowed economic growth, broadening the inflation driver beyond direct fuel costs. Growth is expected to slow in the near term before recovering; spare capacity in the labour market is expected to persist, which will dampen medium-term inflation pressures."

Simply put, with persistent supply-side inflationary pressures from the conflict, the RBNZ aims to move off the lower band of the neutral rate to prevent inflation from becoming entrenched. While headline inflation is expected to peak at 4.3% in Q3 2026, the central bank's forward guidance is heavily data dependent.

As one would expect, the NZD and swap rates firmed. The NZD gained 1.0% against the USD to reach the 0.5900 level but remains in its 0.5800-0.6000 range. More significantly, the RBNZ's hawkish undertones - combined with a weaker-than-expected Australian CPI print, that saw headline inflation ease from 4.6% to 4.2%, pushed the NZD/AUD up from yesterday's 0.8136 low to 0.8265 ... its biggest single day rally since 2022. . On the major crosses, the NZD is 1.0%-1.3% higher with solid gains against the GBP

and JPY. The short end of the NZ swap curve also adjusted upward. The 1-year swap rate spiked 8 bp higher, while 2-year and 3-year yields firmed by 5 bp and 3 bp, respectively. Gains in the longer end didn't hold creating a bear flattening with the 10-year swap now only 70bp higher than the 2-year.

Apart from the NZ moves ...

Markets were largely steady swinging between optimism and pessimism as per the latest geopolitical headline. Iran's TV leaked the 'Memorandum of Understanding' which terms included the withdrawal of US military forces and the lifting of the naval blockade in exchange for the reopening of the Strait of Hormuz to pre-war levels, although this was denied by the US with an official stating it's "complete fabrication. Clearly the Iranians are trying to hedge their bets here and put more pressure on the US."

Nevertheless, the TV report saw oil prices fall 4.7% with crude below the USD90.00 level at USD89.50 and Brent at USD95.00. Interestingly, Fed member Lorie Logan warned US oil and gas supplies won't be enough to fill the gap in the world's inventory stockpiles as their supply is finite. Gold, silver and copper also fell. The USD-index is flat, as are US Treasury yields with the 2 and 10-years 1bp lower at 4.05% and 4.48%. equity markets are mixed.



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Daily Rates

Thursday 28 May 2026

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	66.60					CAD	0.8159	0.9877
NZD/USD	0.5902	0.0006	0.0017	0.0029	0.0045	CHF	0.4642	0.5620
NZD/AUD	0.8263	0.0013	0.0039	0.0072	0.0126	CNY	3.9996	4.8416
NZD/JPY	94.145	-0.16	-0.46	-0.9534	-2.06	DKK	3.7909	4.5889
NZD/EUR	0.5075	-0.0002	-0.0006	-0.0013	-0.0036	FJD	1.2829	1.5529
NZD/GBP	0.4394	0.0004	0.0013	0.0024	0.0041	HKD	4.6222	5.5952
						KRW	885.30	1071.66
AU TWI	66.60					MYR	2.3364	2.8282
AUD/USD	0.7142	-0.0004	-0.0014	-0.0029	-0.0058	NOK	5.4698	6.6213
AUD/NZD	1.2101	-0.0020	-0.0059	-0.0110	-0.0197	SEK	5.4770	6.6299
AUD/JPY	113.76	-0.37	-1.08	-2.14	-4.15	SGD	0.7533	0.9118
AUD/EUR	0.6140	-0.0013	-0.0036	-0.0070	-0.0135	TWD	18.52	22.42
AUD/GBP	0.5316	-0.0003	-0.0009	-0.0017	-0.0030	ZAR	9.65	11.68
USD Index	99.22					EQUITIES		
EUR/USD	1.1629	0.0016	0.0046	0.0085	0.0160		Index	
USD/JPY	159.51	-0.42	-1.21	-2.38	-4.62	NZX50	13,228	
GBP/USD	1.3430	-0.0001	-0.0003	-0.0010	-0.0029	ASX200	8,718	
EUR/GBP	0.8656	0.0013	0.0035	0.0069	0.0139	Dow Jones	50,647	
USD/CNY	6.7788	-0.0162	-0.0455	-0.0881	-0.1715	S&P 500	7,521	
						FTSE100	10,505	
INTEREST			New Zealand		Australia	DAX 40	25,178	
RATES			Mid		Mid	Nikkei	64,999	
30 day bank bills			2.46%		4.37%	COMMODITIES		
90 day bank bills			2.62%		4.50%		USD	
1 year swap			3.11%		4.64%	Brent Crude	95.12	
2 year swap			3.45%		4.62%	Gold	4,451.76	
3 year swap			3.63%		4.58%	Silver	74.63	
5 year swap			3.87%		4.59%	Iron Ore	109.26	
10 year swap			4.24%		4.78%	CRB Index	484.89	
3 year Govt bond			3.81%		4.55%		NZD	
5 year Govt bond			4.14%		4.61%	NZ Carbon	52.75	
10 year Govt bond			4.65%		4.96%			

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