

Research Markets Today

3 April 2025

Events Round-Up

NZ: Dwelling consents (m/m%), Feb: 0.7 vs. 2.6 prev.
 AU: Building approvals (m/m%), Feb: -0.3 vs. -1.3 exp.
 US: ADP employment change (K), Mar: 155 vs. 120 exp.

Good Morning

Liberation Day has arrived and in a couple of hours (from 9am NZ time) we'll find out where President Trump and his team have landed on applying reciprocal tariffs. US equities and Treasuries had a rollercoaster session overnight, with much weak risk sentiment showing a sharp reversal and both equities and rates are higher. The NZD has sustained the gain seen during NZ trading hours and sits comfortably above 0.57.

Speculation has been rife in the weeks leading up to the reciprocal tariff announcement and about all we know so far, as noted by the White House yesterday, is that they will apply to all countries and effective immediately.

Reports were swirling yesterday, according to insiders, that a final decision had yet to be made on whether to proceed with a tiered tariff system, a more targeted approach, or other options still under consideration. In the last hour or so, Sky News reported that there will be three separate bands of tariffs, 10%, 15% and 20% and the bands will differ both by country and industry, according to a White House source. The specific band each country or industry is placed into will depend on how the White House views each country's barriers to entry for trade.

After today's announcement, countries will be able to negotiate with Trump to whittle them down. Fair to say that even after today, the scope of tariffs will likely remain uncertain. More tariff announcements on sector specific goods like pharmaceuticals, semiconductors and lumber remain are still to come at some future date. The only thing we can be certain about is that as a result of the tariffs, US inflation will be higher, and growth will be lower. The uncertainty about the outlook won't go away and that is already impacting consumer spending and investment decisions.

Any retaliation by countries needs to be considered in assessing the outlook and how deep the trade war will run. Bloomberg published a sourced report saying the EU is preparing a package of potential emergency measures to

support parts of the economy that could be hit hardest by the tariffs. The package was said to depend on what the US announces, and the EU is not expected to retaliate immediately, instead taking time to assess the situation before proposing a response. European rates and the euro moved higher after the report.

Bloomberg also reported that over recent weeks China has taken steps to restrict local companies from investing in the US, a move that could give it more leverage for potential trade negotiations with President Trump.

Risk appetite weakened overnight and the S&P500 opened down more than 1% before sharply reversing course and it is up ½% as we go to print, fuelled by speculation that the tariffs will be more lenient than previously thought. Reports that Elon Musk is set to leave his government role soon, as agreed with President Trump, might have also contributed to the swing. The US 10-year Treasury yield fell to as low as 4.11% when risk appetite was at its worst, before rising sharply, up to 4.22%, and now 4.20% as we go to print, barely higher from the NZ close.

Apart from the yen, currency markets have shown less inclination for swinging, compared to rates and equities. The USD has grinded lower, with the DXY index down 0.4% for the day. The NZD added to gains seen during the local trading session and met some resistance just under 0.5750. EUR added to gains after the noted Bloomberg report and trades just over 1.0850. After regaining the 0.53 handle, NZD/EUR is back below the figure. The yen strengthened before reversing course as risk appetite turned around. USD/JPY is back above 150 after falling towards 149. The AUD has underperformed against the NZD, with NZD/AUD pushing up through 0.91.

The economic calendar has been light, with the only release of note being US ADP private payrolls rising a stronger than expected 155k in March. As a predictor of the important non-farm payrolls release at the end of the month, ADP employment performs worse than naive statistical models.

In the domestic rates market, NZDM successfully completed the syndicated tap of the 2032 bond, with \$4b issued at a margin of 14bps over the 2031, at the tight end of the indicative pricing range, and with demand exceeding \$18b. NZGB yields ended the day down 1-3bps across the curve, with a flattening bias. The 2-year swap rate was flat at 3.37% and the 10-year rate fell 2bps to 4.09%.

In the day ahead, once we get over Trump’s tariff announcement, RBA Governor Bullock gives testimony in front of lawmakers, following the decision earlier in the week to keep the policy rate unchanged. The only top-tier economic release is the US ISM services survey tonight, expected to show some slippage in March.

jason.k.wong@bnz.co.nz

Coming Up

		Period	Cons.	Prev.	NZT
AU	RBA's Bullock - Senate testimony				11:00
AU	Trade balance (\$m)	Feb	5400	5620	13:30
CH	Caixin PMI services	Mar	51.5	51.4	14:45
US	Trade Balance	Feb	-124	-131	1:30
US	Initial Jobless Claims	29-Mar	226	224	1:30
US	ISM services index	Mar	52.9	53.5	3:00

Source: Bloomberg, BNZ

Currencies							Equities					Commodities			
FX Majors		Indicative overnight ranges (*)			Other FX		Major Indices					Price (Near futures, except CRB)			
	Last	% Day	Low	High		Last	% Day			Last	% Day	% Year		Last	Net Day
NZD	0.5735	+0.6	0.5721	0.5747	CHF	0.8831	-0.1	S&P 500	5,675	+0.7	9.0		Oil (Brent)	74.96	+0.6
AUD	0.6294	+0.3	0.6292	0.6314	SEK	9.911	-1.1	Dow	42,104	+0.3	7.5		Oil (WTI)	71.75	+0.8
EUR	1.0853	+0.6	1.0780	1.0873	NOK	10.408	-0.6	Nasdaq	17,571	+0.7	8.2		Gold	3136.2	+0.6
GBP	1.2972	+0.4	1.2901	1.2981	HKD	7.783	+0.0	Stoxx 50	5,304	-0.3	5.2		HRC steel	915.0	+2.2
JPY	150.09	+0.3	149.10	150.25	CNY	7.268	-0.0	FTSE	8,608	-0.3	8.5		CRB	310.8	+0.5
CAD	1.4326	+0.1			SGD	1.343	-0.1	DAX	22,391	-0.7	22.5		Wheat Chic.	554.0	+0.0
NZD/AUD	0.9112	+0.4			IDR	16,713	+0.1	CAC 40	7,859	-0.2	-3.3		Sugar	19.59	+1.2
NZD/EUR	0.5284	+0.1			THB	34.11	-0.2	Nikkei	35,726	+0.3	-9.4		Cotton	67.91	-0.5
NZD/GBP	0.4421	+0.2			KRW	1,462	-0.6	Shanghai	3,350	+0.1	9.1		Coffee	388.9	-0.5
NZD/JPY	86.08	+1.0			TWD	33.14	-0.2	ASX 200	7,935	+0.1	2.0		WM powder	4000	+0.9
NZD/CAD	0.8216	+0.8			PHP	57.22	-0.0	NZX 50	12,320	+0.1	2.3		Australian Futures		
NZ TWI	68.16	+0.5						VIX Index	21.35	-1.9	+46.1		3 year bond	96.29	-0.02
													10 year bond	95.59	-0.03
Interest Rates							NZ Government Bonds					NZ BKBM and Swap Yields			
Rates		Swap Yields			Benchmark 10 Yr Bonds		NZ Government Bonds			NZ BKBM and Swap Yields					
	Cash	3Mth	2 Yr	10 Yr	Last	Net Day		Last	Chg		Last	Chg			
USD	4.50	4.85	3.74	3.77	USD	4.20	0.03	15-Apr-27	3.53	0.00	BKBM 1-mth	3.68	-0.01		
AUD	4.10	4.12	3.62	4.29	AUD	4.42	0.01	15-May-28	3.69	-0.01	BKBM 3-mth	3.60	-0.00		
NZD	3.75	3.60	3.37	4.09	NZD	4.54	-0.03	20-Apr-29	3.83	-0.01	1 year	3.35	0.00		
EUR	2.50	2.32	2.18	2.63	GER	2.72	0.03	15-May-30	3.98	-0.02	2 year	3.37	0.00		
GBP	4.50	4.70	4.03	4.16	GBP	4.64	0.01	15-May-31	4.15	-0.02	3 year	3.46	0.00		
JPY	0.48	-0.03	0.84	1.30	JPY	1.47	-0.03	15-May-32	4.29	-0.02	5 year	3.65	-0.01		
CAD	2.75	4.97	2.33	2.72	CAD	2.97	0.04	14-Apr-33	4.37	-0.03	7 year	3.85	-0.01		
								15-May-34	4.45	-0.03	10 year	4.09	-0.02		
								15-May-35	4.54	-0.03	15 year	4.33	-0.02		
								15-May-36	4.63	-0.03	NZ Inflation-Indexed Bonds				
								15-May-37	4.74	-0.03	Sep-30	2.17	-0.04		
								15-May-41	4.96	-0.03	Sep-35	2.67	-0.04		
								15-May-51	5.13	-0.03	Sep-40	2.95	-0.03		
								15-May-54	5.14	-0.03					

* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer
 Rates are as of: NZT 06:52
 Source: Bloomberg

NZD exchange rates

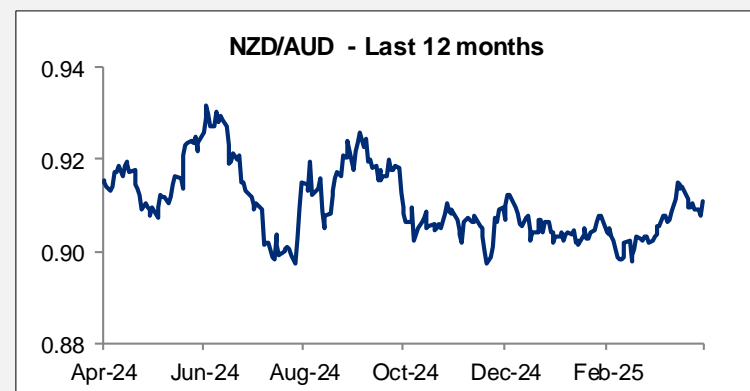
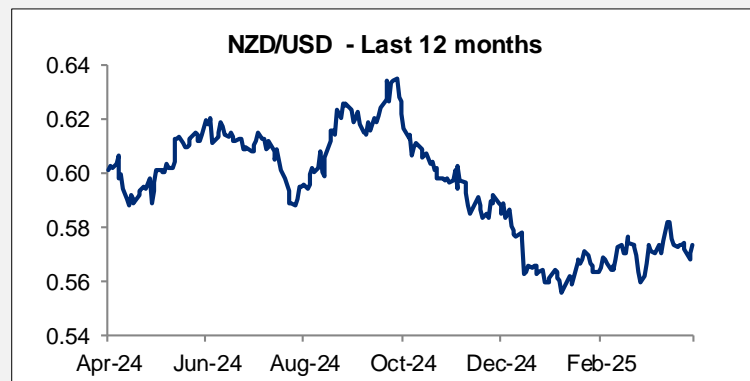
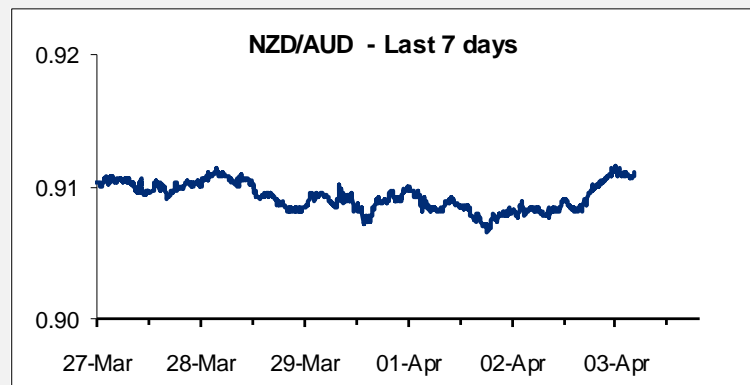
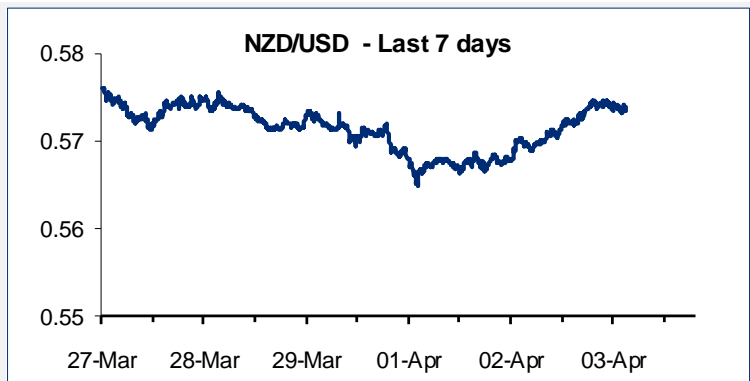
3/04/2025	6:53 am	Prev. NY close
USD	0.5735	0.5700
GBP	0.4421	0.4411
AUD	0.9112	0.9079
EUR	0.5284	0.5281
JPY	86.08	85.28
CAD	0.8216	0.8153
CHF	0.5065	0.5037
DKK	3.9428	3.9410
FJD	1.3359	1.3265
HKD	4.4634	4.4351
INR	49.04	48.71
NOK	5.9689	5.9668
PKR	160.67	159.70
PHP	32.82	32.62
PGK	2.3304	2.3077
SEK	5.6841	5.7089
SGD	0.7702	0.7662
CNY	4.1678	4.1440
THB	19.59	19.44
TOP	1.3639	1.3546
VUV	70.86	70.22
WST	1.5910	1.5812
XPF	63.37	63.05
ZAR	10.8034	10.5292

NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	4.50	4.67
3 Months	13.83	14.24
6 Months	26.60	27.60
9 Months	37.09	39.06
1 Year	44.70	47.70

NZD/AUD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	4.98	5.49
3 Months	14.58	15.66
6 Months	27.79	30.79
9 Months	37.64	43.17
1 Year	45.18	54.26



Contact Details

BNZ Research

Stephen Toplis
Head of Research

Doug Steel
Senior Economist

Jason Wong
Senior Markets Strategist

Stuart Ritson
Senior Interest Rate Strategist

Matt Brunt
Economist

Mike Jones
BNZ Chief Economist
+64 9-956 0795

Main Offices

Wellington
Level 4, Spark Central
42-52 Willis Street
Private Bag 39806
Wellington Mail Centre
Lower Hutt 5045
New Zealand
Toll Free: 0800 283 269

Auckland
80 Queen Street
Private Bag 92208
Auckland 1142
New Zealand
Toll Free: 0800 283 269

Christchurch
111 Cashel Street
Christchurch 8011
New Zealand
Toll Free: 0800 854 854

This document has been produced by Bank of New Zealand (BNZ). BNZ is a registered bank in New Zealand and is only authorised to offer products and services to customers in New Zealand.

Analyst Disclaimer: The Information accurately reflects the personal views of the author(s) about the securities, issuers and other subject matters discussed, and is based upon sources reasonably believed to be reliable and accurate. The views of the author(s) do not necessarily reflect the views of the NAB Group. No part of the compensation of the author(s) was, is, or will be, directly or indirectly, related to any specific recommendations or views expressed.

BNZ maintains an effective information barrier between the research analysts and its private side operations. Private side functions are physically segregated from the research analysts and have no control over their remuneration or budget. The research functions do not report directly or indirectly to any private side function. The Research analyst might have received help from the issuer subject in the research report.

New Zealand: The information in this publication is provided for general information purposes only, and is a summary based on selective information which may not be complete for your purposes. This publication does not constitute any advice or recommendation with respect to any matter discussed in it, and its contents should not be relied on or used as a basis for entering into any products described in it. Bank of New Zealand recommends recipients seek independent advice prior to acting in relation to any of the matters discussed in this publication.

Any statements as to past performance do not represent future performance, and no statements as to future matters are guaranteed to be accurate or reliable.

Neither Bank of New Zealand nor any person involved in this publication accepts any liability for any loss or damage whatsoever which may directly or indirectly result from any advice, opinion, information, representation or omission, whether negligent or otherwise, contained in this publication.

USA: If this document is distributed in the United States, such distribution is by nabSecurities, LLC. This document is not intended as an offer or solicitation for the purchase or sale of any securities, financial instrument or product or to provide financial services. It is not the intention of nabSecurities to create legal relations on the basis of information provided herein.