# Research Markets Today

### 25 March 2025

### **Events Round-Up**

- GE: Manufacturing PMI, Mar: 48.3 vs. 47.0 exp.
- GE: Services PMI, Mar: 50.2 vs. 52.0 exp.
- EC: Manufacturing PMI, Mar: 48.7 vs. 48.2 exp.
- EC: Services PMI, Mar: 50.4 vs. 51.1 exp.
- UK: Manufacturing PMI, Mar: 44.6 vs. 47.2 exp.
- UK: Services PMI, Mar: 53.2 vs. 51.0 exp.
- US: Manufacturing PMI, Mar: 49.8 vs. 51.7 exp.
- US: Services PMI, Mar: 54.3 vs. 51.0 exp.

# **Good Morning**

The new week has begun with higher risk appetite, supporting a strong lift in US equities and pushing up US Treasury yields. However, there has been no positive spillover into the NZD, which shows a modest fall, while JPY has underperformed.

In yesterday's report we noted the article published by Bloomberg on Sunday that suggested when reciprocal tariffs are announced on 2 April or "Liberation Day", they will be narrower in scope than previously threatened, by excluding some nations and blocs and sector-specific tariffs not being cumulative alongside the country tariffs. On Monday, the WSJ published a similar article and adding that the White House is focusing on applying tariffs to about 15% of nations with persistent trade imbalances with the U.S.—what is called a "dirty 15" and which account for most of US foreign trade. These countries include Australia, Brazil, Canada, China, the EU, India, Japan, South Korea, Mexico, Russia, and Vietnam.

Market reaction to these reports has been positive for risk appetite, with stronger US equity futures and higher US Treasury yields during the Asian trading session, with gains extended overnight. The US S&P500 index is up 1½% in early afternoon trading, with all sectors contributing. The IT sector and the Magnificent 7 stocks have outperformed, the latter up 3%. The positive vibe didn't spill over into other markets, with the Euro Stoxx 600 and FTSE100 indices both down 0.1%.

In fresh tariff news, President Trump announced that he would impose a 25% tariff on any country that buys oil or gas from Venezuela effective 2 April, in what he describes as a "secondary tariff". This is due to the "hostility" of Venezuela to the US and because the country has been sending criminals to the US. The largest buyers of Venezuelan oil, apart from the US, include China, Cuba, Europe and India.

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Oil prices were already heading up, against the backdrop of higher risk appetite, but the announcement added to gains before settling down. Brent crude is currently up 1% to just below USD73 per barrel.

At a Cabinet meeting briefing, Trump repeated his previous threat that tariffs on cars and pharmaceuticals will be coming soon.

US Treasury yields are up across the curve, with rates from 2 through to 10-years up in the order of 8bps from last week's close. The 10-year rate is currently trading at 4.33%, towards the top end of its narrow trading range through March.

Adding to the uplift in yields, the flash reading of the US PMI services index was higher than expected, rising 3.3pts to 54.3, recovering from the whack it took earlier this year, and inconsistent with a narrative that the economy is on the verge of economic recession. The manufacturing PMI fell 2.9pts to 49.8, understandable in the face of tariff uncertainty, but in line with its average over the past two years. A feature of the survey was the ongoing lift in cost and pricing indicators, the composite index for prices paid rising to 60.9, a two-year high.

The composite PMI for the euro area rose slightly to 50.4, a seven-month high, driven by stronger manufacturing but weaker services. Germany's manufacturing PMI has shown a strong recovery over the past six months and stands to gain further in the face of massive fiscal easing, directed towards defence and infrastructure spending. The UK's composite PMI rose 1.5pts to a six-month high of 52.0, stronger than expected, driven by gains for the services sector, a respite from the recent flow of weak data, albeit consistent with barely positive GDP growth.

In currency markets, net movements have been modest, with the only notable movement being a 0.9% rise in USD/JPY from last week's close to 150.60, reflecting the lift in US Treasury yields. Despite higher risk appetite, the NZD shows a modest fall to 0.5715, near its low for the day after a reaching a high of 0.5750 early afternoon during the NZ trading session. The AUD is little changed from last week's close near 0.6270, seeing NZD/AUD push down to 0.9110.

After from a lift in NZD/JPY to 86.0, the NZD is weaker on the other key crosses, including NZD/EUR slipping back below 0.53 and NZD/GBP down to 0.4425.

The domestic rates market had a quiet start to the week. NZGB yields were marked 1bp higher from 5-years onwards. In the swaps market, the 2-year rate fell 2bps to 3.42% while the 10-year rate rose 1bp to 4.16%.

On the economic calendar, tonight sees the release of Germany's IFO business survey, US new home sales and the Conference Board measure of consumer confidence.

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# **Coming Up**

|    |                              | Period | Cons. | Prev. | NZT   |
|----|------------------------------|--------|-------|-------|-------|
| GE | IFO expectations             | Mar    | 87.9  | 85.4  | 22:00 |
| US | New home sales (k)           | Feb    | 680   | 657   | 3:00  |
| US | Conf. Board consumer confid. | Mar    | 93.6  | 98.3  | 3:00  |
| -  |                              |        |       |       |       |

Source: Bloomberg, BNZ

| Currenci   | ies        |             |           |   |           |               |         | Equities  |                                  |       |        | Commodities     | 6        |         |
|--|------------|-------------|-----------|---|-----------|---------------|---------|-----------|----------------------------------|-------|--------|-----------------|----------|---------|
| 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  | 0.5713     | -0.4        | 0.5711    | 0.5748                                    | CHF       | 0.8837        | +0.1    | S&P 500   | 5,755                            | +1.5  | 10.0   | Oil (Brent)     | 72.82    | +0.9    |
| AUD  | 0.6272     | -0.0        | 0.6268    | 0.6305                                    | SEK       | 10.109        | -0.3    | Dow       | 42,457                           | +1.1  | 7.6    | Oil (WTI)       | 68.93    | +1.0    |
| EUR  | 1.0789     | -0.3        | 1.0782    | 1.0858                                    | NOK       | 10.528        | -0.2    | Nasdaq    | 18,131                           | +1.9  | 10.4   | Gold            | 3014.3   | -0.3    |
| GBP  | 1.2909     | -0.1        | 1.2896    | 1.2974                                    | HKD       | 7.774         | +0.0    | Stoxx 50  | 5,416                            | -0.1  | 7.6    | HRC steel       | 934.0    | -0.3    |
| JPY  | 150.60     | +0.9        | 149.50    | 150.76                                    | CNY       | 7.260         | +0.1    | FTSE      | 8,638                            | -0.1  | 8.9    | CRB             | 305.8    | -0.5    |
| CAD  | 1.4318     | -0.2        |           |   | SGD       | 1.340         | +0.3    | DAX       | 22,853                           | -0.2  | 25.5   | Wheat Chic.     | 565.5    | -1.6    |
| NZD/AUD  | 0.9109     | -0.4        |           |   | IDR       | 16,568        | +0.4    | CAC 40    | 8,022                            | -0.3  | -1.6   | Sugar           | 19.26    | -2.2    |
| NZD/EUR  | 0.5295     | -0.1        |           |   | THB       | 33.99         | +0.1    | Nikkei    | 37,608                           | -0.2  | -6.9   | Cotton          | 65.43    | +0.2    |
| NZD/GBP  | 0.4426     | -0.2        |           |   | KRW       | 1,469         | +0.3    | Shanghai  | 3,370                            | +0.2  | 11.4   | Coffee          | 393.4    | +0.7    |
| NZD/JPY  | 86.04      | +0.4        |           |   | TWD       | 33.03         | +0.1    | ASX 200   | 7,937                            | +0.1  | 1.6    | WM powder       | 3955     | +0.1    |
| NZD/CAD  | 0.8180     | -0.7        |           |   | PHP       | 57.32         | -0.0    | NZX 50    | 12,128                           | +0.1  | 0.5    | Australian Fu   | tures    |         |
| NZ TWI   | 67.97      | -0.2        |           |   |           |               |         | VIX Index | 17.95                            | -6.9  | +37.4  | 3 year bond     | 96.27    | 0.01    |
| Interest   | Rates      |             |           |   |           |               |         |           |                                  |       |        | 10 year bond    | 95.51    | -0.05   |
|  |            |             |           | 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        | 3.85      | 3.89                                      | USD       | 4.33          | 0.08    | 15-Apr-27 |                                  | 3.61  | -0.00  | BKBM 1-mth      | 3.76     | -0.01   |
| AUD  | 4.10       | 4.12        | 3.68      | 4.36                                      | AUD       | 4.40          | 0.01    | 15-May-28 |                                  | 3.79  | 0.00   | BKBM 3-mth      | 3.63     | -0.01   |
| NZD  | 3.75       | 3.63        | 3.42      | 4.16                                      | NZD       | 4.62          | 0.01    | 20-Apr-29 |                                  | 3.92  | 0.00   | 1 year          | 3.39     | -0.02   |
| EUR  | 2.50       | 2.39        | 2.26      | 2.68                                      | GER       | 2.77          | 0.01    | 15-May-30 |                                  | 4.07  | 0.01   | 2 year          | 3.42     | -0.02   |
| GBP  | 4.50       | 4.72        | 4.12      | 4.21                                      | GBP       | 4.71          | 0.00    | 15-May-31 |                                  | 4.23  | 0.01   | 3 year          | 3.52     | -0.01   |
| JPY  | 0.48       | -0.03       | 0.87      | 1.38                                      | JPY       | 1.55          | 0.02    | 15-May-32 |                                  | 4.37  | 0.01   | 5 year          | 3.72     | -0.00   |
| CAD  | 2.75       | 4.97        | 2.41      | 2.79                                      | CAD       | 3.05          | 0.06    | 14-Apr-33 |                                  | 4.45  | 0.01   | 7 year          | 3.92     | 0.00    |
|  |            |             |           |   |           |               |         | 15-May-34 |                                  | 4.53  | 0.01   | 10 year         | 4.16     | 0.01    |
|  |            |             |           |   | Policy Me | eting Run     |         | 15-May-35 |                                  | 4.62  | 0.01   | 15 year         | 4.40     | 0.01    |
|  |            |             |           |   | NZD       | AUD           | USD     | 15-May-36 |                                  | 4.70  | 0.01   |                 |          |         |
|  |            |             |           |   | 1st 3.51  | 4.07          | 4.29    | 15-May-37 |                                  | 4.82  | 0.01   | NZ Inflation-Ir | ndexed B | onds    |
| * These are  | indicative | ranges froi | m 5pm NZ  | Г;  | 2nd 3.31  | 3.91          | 4.14    | 15-May-41 |                                  | 5.04  | 0.01   | Sep-30          | 2.25     | 0.00    |
| please confirm rates with your BNZ dealer 3rd 3.21 3.81 4.03 |            |             | 15-May-51 |   | 5.20      | 0.01          | Sep-35  | 2.75      | 0.00                             |       |        |                 |          |         |
| Rates are as of: NZT 06:56 4th 3.11 3.64 3.88                |            |             |           | 15-May-54                                 |           | 5.21          | 0.01    | Sep-40    | 3.04                             | 0.00  |        |                 |          |         |
| Source: Blog   | ombera     |             |           |   | 5th 3.08  | 3.56          | 3.81    | -         |                                  |       |        |                 |          |         |

| NZD exchange rates |         |                |  |  |  |  |  |
|--------------------|---------|----------------|--|--|--|--|--|
| 25/03/2025         | -       | Prev. NY close |  |  |  |  |  |
| USD                | 0.5713  | 0.5734         |  |  |  |  |  |
| GBP                | 0.4426  | 0.4438         |  |  |  |  |  |
| AUD                | 0.9109  | 0.9141         |  |  |  |  |  |
| EUR                | 0.5295  | 0.5300         |  |  |  |  |  |
| JPY                | 86.04   | 85.62          |  |  |  |  |  |
| CAD                | 0.8180  | 0.8228         |  |  |  |  |  |
| CHF                | 0.5049  | 0.5062         |  |  |  |  |  |
| DKK                | 3.9503  | 3.9550         |  |  |  |  |  |
| FJD                | 1.3155  | 1.3194         |  |  |  |  |  |
| HKD                | 4.4415  | 4.4569         |  |  |  |  |  |
| INR                | 48.92   | 49.30          |  |  |  |  |  |
| NOK                | 6.0147  | 6.0503         |  |  |  |  |  |
| PKR                | 160.14  | 160.68         |  |  |  |  |  |
| PHP                | 32.75   | 32.87          |  |  |  |  |  |
| PGK                | 2.3299  | 2.3385         |  |  |  |  |  |
| SEK                | 5.7750  | 5.8154         |  |  |  |  |  |
| SGD                | 0.7655  | 0.7661         |  |  |  |  |  |
| CNY                | 4.1475  | 4.1582         |  |  |  |  |  |
| THB                | 19.35   | 19.42          |  |  |  |  |  |
| TOP                | 1.3577  | 1.3620         |  |  |  |  |  |
| VUV                | 70.63   | 70.64          |  |  |  |  |  |
| WST                | 1.5986  | 1.6070         |  |  |  |  |  |
| XPF                | 62.90   | 63.04          |  |  |  |  |  |
| ZAR                | 10.4195 | 10.4520        |  |  |  |  |  |

### NZD/USD Forward Points

|          | BNZ buys NZD | BNZ sells NZD |
|----------|--------------|---------------|
| 1 Month  | 3.90         | 4.26          |
| 3 Months | 12.12        | 12.62         |
| 6 Months | 25.60        | 26.60         |
| 9 Months | 36.74        | 38.81         |
| 1 Year   | 45.10        | 48.10         |

| NZD/AUD Forward Points |              |               |  |  |  |  |  |
|------------------------|--------------|---------------|--|--|--|--|--|
|                        | BNZ buys NZD | BNZ sells NZD |  |  |  |  |  |
| 1 Month                | 3.76         | 4.54          |  |  |  |  |  |
| 3 Months               | 12.26        | 13.53         |  |  |  |  |  |
| 6 Months               | 26.23        | 28.98         |  |  |  |  |  |
| 9 Months               | 36.47        | 41.54         |  |  |  |  |  |
| 1 Year                 | 44.16        | 51.87         |  |  |  |  |  |
|                        |              |               |  |  |  |  |  |



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