

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.

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.

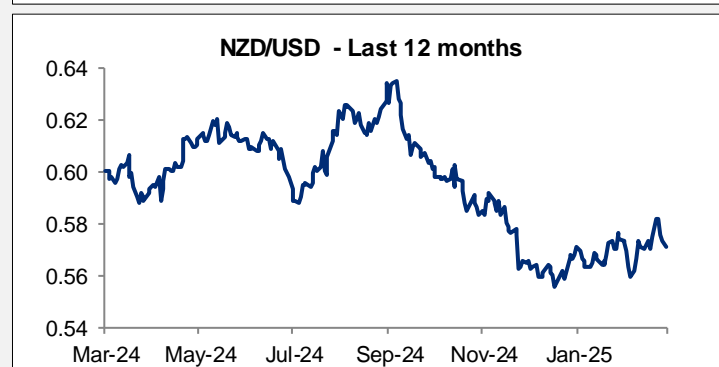
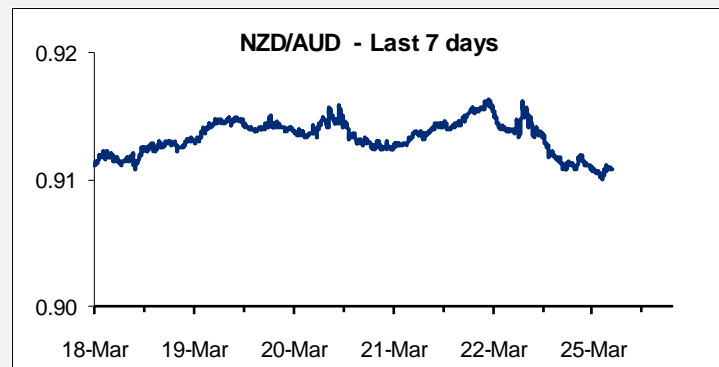
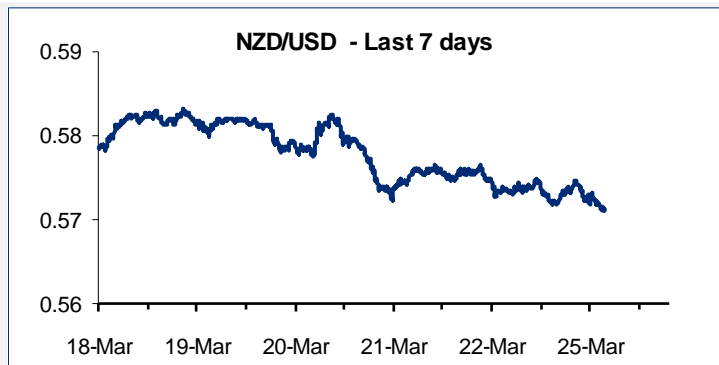
Adding to the uplift in yields, the flash reading of the US PMI services index was higher than expected, rising 3.3pts to 54.3, recovering from the whack it took earlier this year, and inconsistent with a narrative that the economy is on the verge of economic recession. The manufacturing PMI fell 2.9pts 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

NZD exchange rates

25/03/2025 6:56 am		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

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.