

Research Markets Today

2 July 2025

Events Round-Up

NZ: Building Permits (m/m%), May: 10.4 vs. -14.6 prev.
 JN: Tankan Large Mfg Index, 2Q: 13 vs. 10 exp.
 CH: Caixin China PMI Mfg, Jun: 50.4 vs. 49.3 exp.
 GE: Unemployment Claims Rate SA, Jun: 6.3 vs. 6.4 exp.
 EC: CPI Estimate (y/y%), Jun P: 2.0 vs. 2.0 exp.
 EC: CPI Core (y/y%), Jun P: 2.3 vs. 2.3 exp.
 US: ISM Manufacturing, Jun: 49.0 vs. 48.7 exp.
 US: JOLTS job openings (k), May: 7769 vs. 7300 exp.

Good morning

US equities are little changed with the S&P starting the month near flat and consolidating near a record high. Treasury yields increased, and the US dollar rebounded from earlier losses to be little changed. President Trump's tax and spending bill has passed the Senate. The Congressional Budget Office has estimated the bill would increase the deficit by \$3.3tn over the next decade.

The ISM manufacturing index increased marginally to 49.0 in June reflecting some easing of the initial supply-side disruptions. However, new orders are weak and higher input costs remain an issue for producers. The prices paid index increased to 69.7, which could relate to the increase in commodity prices, during the Middle East tensions. The employment index declined to 45.0.

US JOLTS job openings increased to 7.77 million in May, which was well above consensus estimates, and the highest level since last November. The jump in job openings were concentrated in the leisure and hospitality sector, and don't appear consistent with other labour market indicators, that point to slowing demand for workers. Some analysts note the low response rate to the survey and the typically large revisions.

Fed Chair Powell reiterated the central bank's patient stance during a panel event at the ECB Forum on Central Banking in Portugal. He noted that the Fed would have probably cut rates further this year were it not for the tariff uncertainty. When questioned, he refused to rule out a July cut and said that it will depend on the incoming data.

US treasuries moved higher in yield led by the front end of the curve. The move higher gained momentum after the

stronger than expected JOLTs data. 2-year yields increased 6bp to 3.78%. 10-year treasuries had dipped below 4.2% earlier in the session before reversing higher to 4.25%. The 2y/10y curve flattened to 47bp. European bond markets closed lower in yield. Gilts were supported by comments by Bank of England Governor Bailey who said the bank was considering reducing the pace of quantitative tightening.

The dollar index dropped to a new multi-year low but rebounded with support from higher front end US yields. The euro held steady after euro-zone inflation was in line with consensus estimates at 2%. Absolute moves in G10 currencies have been small since the local close yesterday. NZD/USD made a fresh 2025 high near 0.6120 in early European trade but has since retraced and is stable on the major crosses.

Japan's Tankan survey of large manufacturers was stronger than expected and suggests exporters are holding up well despite pressure from US trade policy. Within the survey, price related indicators are consistent with the Bank of Japan's 2% target. The central bank has been cautious about the impact of tariffs and is expected to leave rates unchanged at the end-July meeting according to market pricing.

After the Quarterly Survey of Business Opinion yesterday, we now expect the RBNZ to leave rates unchanged at 3.25% at the July Monetary Policy Review. While the report pointed towards weak inflationary pressures, we don't believe it was sufficient for the RBNZ to cut the OCR in July, given the tone of the May statement. We still expect the OCR to reach a 2.75% low but have pushed back the trough to October.

Yields moved 3-5bp lower across the NZ swap curve in the local session yesterday with a flattening bias. The move aligned with a rally in offshore markets, and the soft inflation metrics in the QSOBO, also supported the move. Terminal OCR pricing has dipped to 2.85%.

NZ government bonds followed the move in swaps with 10-year yields declining 4bp to 4.49%. We had anticipated the tap of the NZGB May-2031 to launch yesterday but is now expected today for pricing on Thursday. Australian 10-year government bond futures are around 2bp higher in yield since the local close yesterday suggesting a modest upwards bias for NZ yields on the open.

There is no domestic data on the economic calendar today. Retail sales are released in Australia along with building approvals. The ADP measure of private US payrolls is released overnight. We note the normal caveat that the relationship with the official data, which is released later in the week, has not been strong.

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Coming Up

		Period	Cons.	Prev.	NZT
AU	Building Approvals (m/m%)	May	4	-5.7	13:30
AU	Retail Sales (m/m%)	May	0.5	-0.1	13:30
EC	Unemployment Rate	May	6.2	6.2	21:00
US	ADP Employment Change	Jun	95	37	00:15

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	0.6085	-0.1	0.6081	0.6120	CHF	0.7935	-0.1	S&P 500	6,198	+0.0	13.2	Oil (Brent)	67.16	+0.5
AUD	0.6568	-0.1	0.6562	0.6590	SEK	9.507	+0.4	Dow	44,432	+1.0	13.4	Oil (WTI)	65.64	+0.4
EUR	1.1769	-0.1	1.1761	1.1830	NOK	10.086	+0.1	Nasdaq	20,237	-0.6	13.2	Gold	3352.7	+1.3
GBP	1.3724	+0.0	1.3704	1.3789	HKD	7.850	+0.0	Stoxx 50	5,282	-0.4	7.1	HRC steel	883.0	+0.3
JPY	143.69	-0.2	142.68	143.78	CNY	7.166	+0.0	FTSE	8,785	+0.3	7.6	CRB	297.3	-0.8
CAD	1.3660	+0.3			SGD	1.274	+0.1	DAX	23,673	-1.0	29.4	Wheat Chic.	546.0	+2.0
NZD/AUD	0.9265	+0.0			IDR	16,200	-0.2	CAC 40	7,663	-0.0	1.3	Sugar	15.69	-3.1
NZD/EUR	0.5170	-0.0			THB	32.48	+0.0	Nikkei	39,986	-1.2	-0.2	Cotton	68.02	+2.6
NZD/GBP	0.4434	-0.1			KRW	1,358	+0.3	Shanghai	3,458	+0.4	15.4	Coffee	289.7	-3.6
NZD/JPY	87.44	-0.3			TWD	29.16	-0.2	ASX 200	8,541	-0.0	10.7	WM powder	3775	+0.5
NZD/CAD	0.8312	+0.2			PHP	56.34	+0.0	NZX 50	12,735	+1.0	8.1	Australian Futures		
NZ TWI	69.80	+0.0						VIX Index	16.88	+0.9	+38.1	3 year bond	96.76	0.03
Interest Rates												3 year bond 96.76 0.03		
												10 year bond 95.84 0.02		
	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	3.54	3.72	USD	4.26 0.03	15-Apr-27	3.29	0.00	BKBM 1-mth	3.33	0.00		
AUD	3.85	3.60	3.15	4.05	AUD	4.12 -0.05	15-May-28	3.48	0.00	BKBM 3-mth	3.29	#N/A		
NZD	3.25	3.29	3.16	4.01	NZD	4.49 0.00	20-Apr-29	3.66	0.00	1 year	3.14	0.00		
EUR	2.00	1.94	1.99	2.57	GER	2.57 -0.03	15-May-30	3.84	0.00	2 year	3.16	0.00		
GBP	4.25	4.45	3.61	3.94	GBP	4.45 -0.04	15-May-31	4.04	0.00	3 year	3.27	0.00		
JPY	0.48	-0.03	0.73	1.21	JPY	1.39 -0.04	15-May-32	4.20	0.00	5 year	3.52	0.00		
CAD	2.75	4.97	2.47	2.97	CAD	3.27 -0.03	14-Apr-33	4.30	0.00	7 year	3.75	0.00		
							15-May-34	4.40	0.00	10 year	4.01	0.00		
							15-May-35	4.49	0.00	15 year	4.27	0.00		
							15-May-36	4.58	0.00	NZ Inflation-Indexed Bonds				
							15-May-37	4.68	0.00	Sep-30	2.00	0.00		
							15-May-41	4.94	0.00	Sep-35	2.69	0.00		
							15-May-51	5.13	0.00	Sep-40	3.09	0.00		
							15-May-54	5.18	0.00					

NZD exchange rates

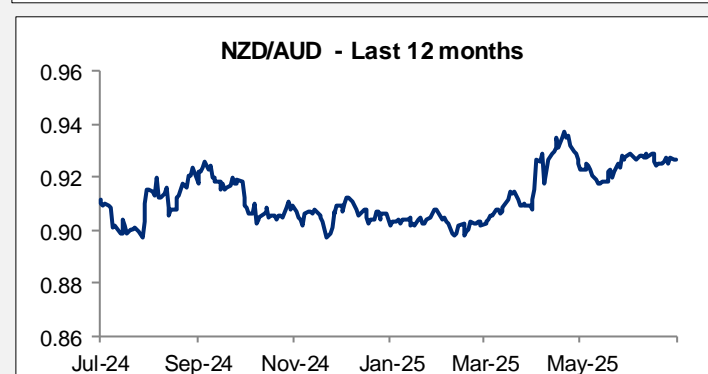
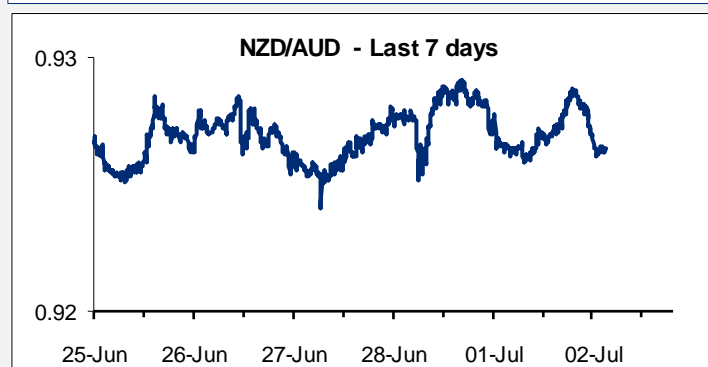
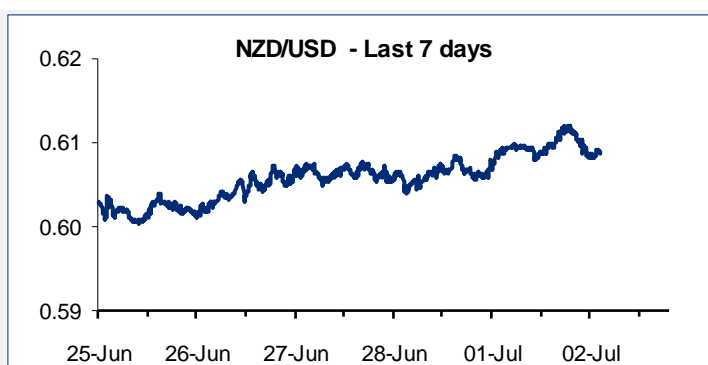
2/07/2025	6:27 am	Prev. NY close
USD	0.6085	0.6096
GBP	0.4434	0.4439
AUD	0.9265	0.9263
EUR	0.5170	0.5172
JPY	87.44	87.80
CAD	0.8312	0.8295
CHF	0.4828	0.4835
DKK	3.8578	3.8585
FJD	1.3686	1.3711
HKD	4.7767	4.7853
INR	52.05	52.27
NOK	6.1375	6.1404
PKR	172.63	172.93
PHP	34.28	34.33
PGK	2.4646	2.4690
SEK	5.7849	5.7659
SGD	0.7750	0.7752
CNY	4.3604	4.3671
THB	19.73	19.81
TOP	1.4141	1.4160
VUV	72.62	72.91
WST	1.6494	1.6424
XPF	61.84	62.02
ZAR	10.7300	10.7971

NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	6.33	6.51
3 Months	18.47	18.88
6 Months	34.55	35.55
9 Months	46.84	48.88
1 Year	55.23	58.34

NZD/AUD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	4.08	4.50
3 Months	9.80	10.72
6 Months	16.11	18.59
9 Months	20.50	25.17
1 Year	22.88	30.36



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