

# Research Markets Today

3 July 2025

## Events Round-Up

AU: Building Approvals (m/m%), May: 3.2 vs. 4.0 exp.

AU: Retail Sales (m/m%), May: 0.2 vs. 0.5 exp.

EC: Unemployment Rate, May: 6.3 vs. 6.2 exp.

US: ADP Employment Change (k), Jun: -33 vs. 95 exp.

## Good morning

The S&P remained well underpinned and recorded a new record high after President Trump announced a trade deal with Vietnam. European equities also gained with the Euro Stoxx index advancing 0.7%. UK gilts and the pound fell on fiscal concerns, which weighed on the long end of government bond markets, including US treasuries. Brent crude prices increased almost 2% to US\$69, ahead of an OPEC+ meeting this weekend, which is likely to see an increase in production quotas.

The US has reached a trade agreement with Vietnam, which would lower its reciprocal tariff on exports to 20%, and charge a 40% tariff on goods that are transhipped through the country. It is one of the few deals made with trading partners ahead of end of the 90-day pause in reciprocal tariffs on July 9. The US has previously agreed frameworks with China and the UK. Separately, President Trump has ramped up pressure on Japan and cast doubt that the US would reach a deal.

ADP reported a 33K drop in private payrolls in June, well short of the 98k consensus estimate. However, the relationship with the official data has not been strong. For example, the ADP series was around 100k below the initial estimates of private non-farm payrolls in April and May. Although ADP has understated the official data recently, there isn't a consistent historical pattern.

The soft ADP data contributed to a sharp rally in front end treasuries. 2-year yields dropped from 3.80% to 3.74% but subsequently rebounded to earlier levels. The curve steepened with longer maturities moving steadily higher, driven by investor concerns about fiscal deficits and supply, after a large sell-off in UK gilts. 10-year treasury yields increased 6bp to 4.30% and the 2y/10y curve rebounded to 51bp.

The UK gilt market came under pressure on signs of friction within the Labour government, and concerns about the

fiscal backdrop, which has raised questions about Chancellor of the Exchequer Rachel Reeves' future. Longer maturities were particularly weak with 30-year gilt yields increasing 19bp to 5.42%. This was the largest one-day rise in yields since the global bond market rout in April and revived memories of Liz Truss's ill-fated 2022 'mini-Budget'.

In currency markets, the pound fell close to 0.7% against the US dollar and euro, set against the backdrop of otherwise relatively small moves in G10 currencies. An initial move higher in the US dollar faded and the dollar index is little changed from the local close yesterday. NZD/USD slipped towards 0.6050 overnight but has since recovered. The NZD is marginally softer on the major cross rates except for NZD/GBP.

There were modest moves in NZ fixed income in the local session yesterday. Swap rates were marked 1-2bp higher across the curve, largely reflecting offshore moves. There was a marginal upward bias for government bond yields as well. NZ Debt Management launched the tap of the NZGB May-2031 bond yesterday for pricing today. The total book size at the latest update is NZ\$28.6 billion, and the margin over the NZGB May-30 has tightened from initial price guidance to +21bp.

Australian 10-year government bond futures are around 7bp higher in yield terms, since the local close yesterday, which points towards higher NZ yields on the open.

There is no domestic economic data in the day ahead though the Crown Financial Statements for the year ended May will be released. It is a busy evening for US data. The labour market report has been brought forward by a day on account of the July 4 public holiday. The consensus estimate for nonfarm payrolls is an increase of 110k, while the unemployment rate is expected to edge higher to 4.3%. The services ISM is scheduled with a move back into expansionary territory anticipated.

[stuart.ritson@bnz.co.nz](mailto:stuart.ritson@bnz.co.nz)

## Coming Up

		Period	Cons.	Prev.	NZT
AU	Trade Balance	May	5000	5413	13:30
CH	Caixin China PMI Services	Jun	50.9	51.1	13:45
US	Trade Balance	May	-71	-62	00:30
US	Change in Nonfarm Payrolls	Jun	110	139	00:30
US	Unemployment Rate	Jun	4.3	4.2	00:30
US	Average Hourly Earnings (m/m%)	Jun	0.3	0.4	00:30
US	Average Hourly Earnings (y/y%)	Jun	3.8	3.9	00:30
US	Initial Jobless Claims	28-Jun	240	236	00:30
US	ISM Services Index	Jun	50.8	49.9	02:00

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	0.6084	-0.2	0.6050	0.6089	CHF	0.7919	+0.0	S&P 500	6,217	+0.3	12.9	Oil (Brent)	68.48	+2.9
AUD	0.6579	-0.0	0.6543	0.6582	SEK	9.524	+0.5	Dow	44,448	-0.0	13.0	Oil (WTI)	66.89	+3.1
EUR	1.1797	-0.1	1.1747	1.1800	NOK	10.065	-0.1	Nasdaq	20,372	+0.8	13.0	Gold	3359.6	+0.4
GBP	1.3642	-0.8	1.3563	1.3728	HKD	7.850	-0.0	Stoxx 50	5,319	+0.7	8.4	HRC steel	885.0	+0.2
JPY	143.66	+0.1	143.49	144.25	CNY	7.165	-0.0	FTSE	8,775	-0.1	8.0	CRB	296.1	-0.4
CAD	1.3597	-0.4			SGD	1.273	+0.0	DAX	23,790	+0.5	31.0	Wheat Chic.	560.0	+2.9
NZD/AUD	0.9248	-0.1			IDR	16,247	+0.3	CAC 40	7,738	+1.0	2.7	Sugar	15.54	-0.9
NZD/EUR	0.5157	-0.1			THB	32.37	-0.3	Nikkei	39,762	-0.6	-2.0	Cotton	66.28	+0.0
NZD/GBP	0.4460	+0.6			KRW	1,356	-0.1	Shanghai	3,455	-0.1	15.8	Coffee	289.0	-0.9
NZD/JPY	87.40	+0.0			TWD	29.00	-0.5	ASX 200	8,598	+0.7	11.1	WM powder	3780	+0.1
NZD/CAD	0.8272	-0.6			PHP	56.38	+0.1	NZX 50	12,784	+0.4	8.4	Australian Futures		
NZ TWI	69.74	+0.0						VIX Index	16.74	-0.5	+39.2	3 year bond	96.72	-0.04
Interest Rates												3 year bond 96.72 -0.04		
												10 year bond 95.76 -0.09		
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	3.76	USD	4.30	0.06	15-Apr-27	3.29	0.00	BKBM 1-mth	3.33	0.00	
AUD	3.85	3.59	3.16	4.12	AUD	4.15	0.03	15-May-28	3.48	0.00	BKBM 3-mth	3.28	#N/A	
NZD	3.25	3.28	3.17	4.03	NZD	4.49	0.00	20-Apr-29	3.66	0.00	1 year	3.14	0.00	
EUR	2.00	1.96	2.00	2.62	GER	2.66	0.09	15-May-30	3.84	0.00	2 year	3.17	0.00	
GBP	4.25	4.45	3.66	4.08	GBP	4.61	0.16	15-May-31	4.04	0.00	3 year	3.28	0.00	
JPY	0.48	-0.03	0.73	1.23	JPY	1.43	0.04	15-May-32	4.20	0.00	5 year	3.53	0.00	
CAD	2.75	4.97	2.51	3.06	CAD	3.37	0.09	14-Apr-33	4.30	0.00	7 year	3.77	0.00	
						Policy Meeting Run			15-May-34	4.40	0.00	10 year	4.03	0.00
									15-May-35	4.49	0.00	15 year	4.29	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**

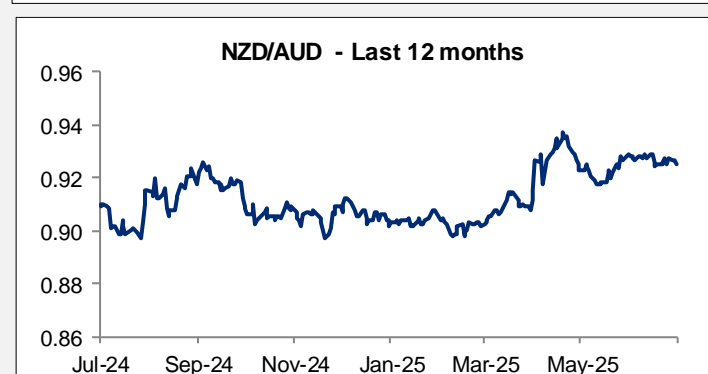
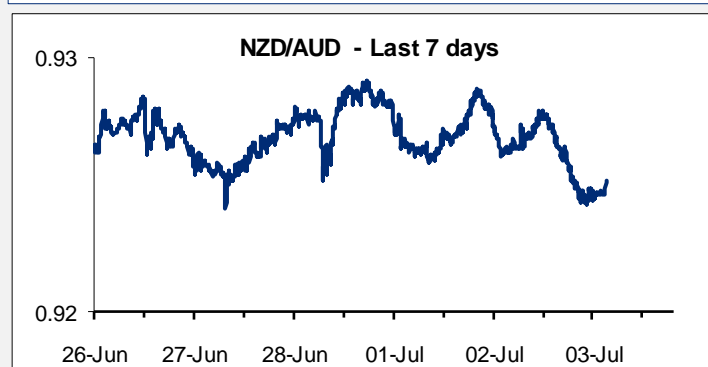
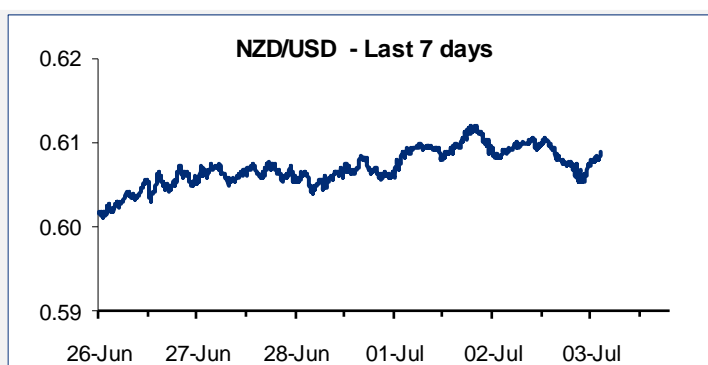
<b>3/07/2025</b>	<b>6:35 am</b>	<b>Prev. NY close</b>
USD	0.6084	0.6099
GBP	0.4460	0.4437
AUD	0.9248	0.9265
EUR	0.5157	0.5166
JPY	87.40	87.47
CAD	0.8272	0.8323
CHF	0.4818	0.4825
DKK	3.8480	3.8546
FJD	1.3660	1.3736
HKD	4.7759	4.7877
INR	52.15	52.17
NOK	6.1235	6.1407
PKR	172.72	173.02
PHP	34.30	34.36
PGK	2.4642	2.4702
SEK	5.7946	5.7803
SGD	0.7744	0.7763
CNY	4.3593	4.3704
THB	19.74	19.78
TOP	1.4123	1.4210
VUV	72.48	72.75
WST	1.6496	1.6574
XPF	61.83	61.88
ZAR	10.6894	10.7325

**NZD/USD Forward Points**

	<b>BNZ buys NZD</b>	<b>BNZ sells NZD</b>
1 Month	6.12	6.32
3 Months	18.32	18.76
6 Months	33.68	34.68
9 Months	45.32	47.41
1 Year	54.06	57.06

**NZD/AUD Forward Points**

	<b>BNZ buys NZD</b>	<b>BNZ sells NZD</b>
1 Month	3.62	4.06
3 Months	9.27	10.36
6 Months	14.73	17.37
9 Months	18.23	23.19
1 Year	21.47	29.14



## Contact Details

### BNZ Research

**Stephen Toplis**

Head of Research  
+64 4 474 6905

**Doug Steel**

Senior Economist  
+64 4 474 6923

**Jason Wong**

Senior Markets Strategist  
+64 4 924 7652

**Stuart Ritson**

Senior Interest Rate Strategist  
+64 9 9248601

**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

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