

# Research Markets Today

4 July 2025

## Events Round-Up

AU: Trade balance (\$b), May: 2.2 vs. 5.0 exp.  
 CH: Caixin PMI Services, Jun: 50.6 vs. 51.1 prev.  
 US: Trade balance (\$b), May: -71.5 vs. -71.0 exp.  
 US: Change in nonfarm payrolls (k), Jun: 147 vs. 106 exp.  
 US: Unemployment rate (%), Jun: 4.1 vs. 4.3 exp.  
 US: Avg hourly earnings (m/m%), Jun: 0.2 vs. 0.3 exp.  
 US: Avg hourly earnings (y/y%), Jun: 3.7 vs. 3.8 exp.  
 US: Initial jobless claims, wk to 28-Jun: 233 vs. 240 exp.  
 US: ISM services Index, Jun: 50.8 vs. 50.6 exp.

## Good Morning

A stronger than expected US employment report sent US rates higher across the curve. Markets closed early ahead of the US Independence Day holiday, with the S&P500 up 0.8% to a fresh record high. The USD is broadly stronger, seeing the NZD nudge down to 0.6065.

US nonfarm payrolls rose by 147k in June, stronger than market expectations of 106k and the previous two months were upwardly revised by 16k. The unemployment rate ticked down to 4.1% against expectations of a tick higher to 4.3%. Digging deeper, the impression of the labour market wasn't as strong as the headlines suggested, with payrolls driven by gains in public health and education jobs. Private payrolls rose just 74k, the weakest in eight months, while average hourly earnings growth continued to trend lower, with annual growth ticking down to 3.7%.

Focus was on the headline figures and these data supported the Fed's characterisation of the economy as showing solid labour market conditions, with a low unemployment rate, and therefore in no need of any immediate additional monetary accommodation. The data all but ruled out the Fed cutting rates at the end of this month and the next full rate priced shifted from September to October. Just 51bps of cuts are now priced for this year compared to 66bps ahead of the report.

US Treasury yields jumped higher on the report, led by the short end, with the 2-year rate closing up nearly 10bps on the day to 3.88% and the 10-year rate rose 7bps to 4.35%. Other US economic releases played second fiddle. Initial jobless claims fell 4k last week, the ISM services index rose just under a point to 50.8, close to market expectations

and the trade deficit for May was also in line with expectations at \$71.5b.

The US House passed Trump's Big, Beautiful, Bill ahead of his preferred 4-July deadline and now just requires the President's signature to become law. The CBO estimated that the bill would add \$3.4 trillion to budget deficits over the next ten years. While the vote came after the US bond and equity markets had closed early, there should be little market reaction when US markets reopen, as the positive vote was well-anticipated.

On tariffs, the EU is aiming for a trade "agreement in principle" with the Trump administration rather than a more comprehensive deal by the 9-July deadline. EC President von der Leyen said reaching a detailed agreement ahead of the deadline wasn't possible. China isn't happy with the 40% tariff for Vietnam on "trans-shipping" of goods aimed at Chinese re-exports to the US. China is concerned that similar agreements will be part of other trade deals and China's commerce ministry said "if such a situation arises, China will take resolute countermeasures to safeguard its legitimate rights and interests". The clear risk is another flare-up in US-China trade tensions later in the year.

Some order was restored to UK markets, after UK PM Starmer provided reassurance that Chancellor Reeves' job was secure and she reaffirmed her commitment to fiscal discipline. All this following the previous day's debacle in the House after the U-turn on welfare reform and market fear that Reeves was about to get fired. UK gilt yields fell, led by the long end, with the 10-year rate down 7bps to 4.54%, partially unwinding the 16bps lift the previous day. GBP has been one of the better performing major currencies, up slightly against the backdrop of a broad recovery in the USD and NZD/GBP fell about ½% to 0.4445.

The US employment report sent the USD higher, but much of the boost was quickly unwound. Still, the USD is broadly stronger for the day. The NZD is trading at 0.6065 after falling to nearly 0.6030 overnight. Against the backdrop of higher US Treasury yields, JPY has underperformed, with USD/JPY pushing above 145 and NZD/JPY rising to 88.0. Other NZD cross movements have been small.

Focus within the domestic rates market was on NZDM's syndicated tap of 2031 bonds. The deal attracted strong bidding interest, with a record orderbook of over \$31b. The government issued \$6b of the bonds, the maximum

amount it was seeking, at the tight end of the pricing range, at 21bps over the 2030 bonds. Curves were modestly steeper out to 10-years, with little change in short-term rates and the 10-year NZGB marked 4bps higher at the close at 4.53%. Swap rates closed 1-3bps higher.

Markets will be quiet in the day ahead, with the US Independence Day holiday and a sparse economic calendar.

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## Coming Up

		Period	Cons.	Prev.	NZT
GE	Factory orders (m/m%)	May	-0.2	0.6	18:00

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	0.6066	-0.4	0.6031	0.6082	CHF	0.7958	+0.5	S&P 500	6,279	+0.8	13.4	Oil (Brent)	68.86	-0.4
AUD	0.6570	-0.2	0.6537	0.6584	SEK	9.590	+0.8	Dow	44,829	+0.8	14.0	Oil (WTI)	67.09	-0.5
EUR	1.1751	-0.4	1.1718	1.1810	NOK	10.070	+0.1	Nasdaq	20,601	+1.0	13.3	Gold	3339.0	-0.6
GBP	1.3641	+0.0	1.3586	1.3676	HKD	7.850	+0.0	Stoxx 50	5,343	+0.5	7.6	HRC steel	885.0	+0.0
JPY	145.04	+1.0	143.68	145.23	CNY	7.171	+0.1	FTSE	8,823	+0.6	8.0	CRB	300.7	+1.6
CAD	1.3563	-0.2			SGD	1.275	+0.2	DAX	23,934	+0.6	30.3	Wheat Chic.	556.8	-1.3
NZD/AUD	0.9233	-0.2			IDR	16,195	-0.3	CAC 40	7,755	+0.2	1.6	Sugar	16.38	+5.1
NZD/EUR	0.5162	+0.0			THB	32.45	+0.3	Nikkei	39,786	+0.1	-2.8	Cotton	65.66	+0.7
NZD/GBP	0.4447	-0.4			KRW	1,365	+0.6	Shanghai	3,461	+0.2	17.0	Coffee	289.6	-0.5
NZD/JPY	87.98	+0.6			TWD	28.83	-0.6	ASX 200	8,596	-0.0	9.8	WM powder	3790	+0.3
NZD/CAD	0.8227	-0.6			PHP	56.26	-0.2	NZX 50	12,704	-0.6	8.2	Australian Futures		
NZ TWI	69.65	-0.2						VIX Index	16.38	-1.6	+35.5	3 year bond	96.70	-0.02
Interest Rates												3 year bond 96.70 -0.02		
												10 year bond 95.76 -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	3.63	3.80	USD	4.35	0.07	15-Apr-27	3.29	-0.00	BKBM 1-mth	3.33	0.00	
AUD	3.85	3.58	3.19	4.12	AUD	4.18	0.03	15-May-28	3.49	0.01	BKBM 3-mth	3.28	0.00	
NZD	3.25	3.28	3.18	4.07	NZD	4.53	0.04	20-Apr-29	3.67	0.02	1 year	3.14	0.00	
EUR	2.00	1.96	1.99	2.58	GER	2.62	-0.05	15-May-30	3.86	0.02	2 year	3.18	0.01	
GBP	4.25	4.45	3.62	4.02	GBP	4.54	-0.07	15-May-31	4.05	0.02	3 year	3.30	0.02	
JPY	0.48	-0.03	0.74	1.24	JPY	1.44	0.01	15-May-32	4.21	0.02	5 year	3.55	0.02	
CAD	2.75	4.97	2.55	3.08	CAD	3.39	0.03	14-Apr-33	4.33	0.02	7 year	3.80	0.03	
						Policy Meeting Run		15-May-34	4.44	0.03	10 year	4.07	0.03	
								15-May-35	4.53	0.04	15 year	4.32	0.03	
						NZD AUD USD		15-May-36	4.62	0.03	NZ Inflation-Indexed Bonds			
						1st	3.22 3.41 4.32	15-May-37	4.71	0.03	Sep-30	1.99	0.02	
* These are indicative ranges from 5pm NZT;						2nd	3.09 3.33 4.15	15-May-41	4.96	0.03	Sep-35	2.68	0.02	
please confirm rates with your BNZ dealer						3rd	3.04 3.16 4.00	15-May-51	5.15	0.02	Sep-40	3.08	0.02	
Rates are as of: NZT 06:55						4th	2.94 3.08 3.82	15-May-54	5.18	0.02				
Source: Bloomberg						5th	2.89 2.98 3.71							

\* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer

Rates are as of: NZT 06:55

Source: Bloomberg

**NZD exchange rates**

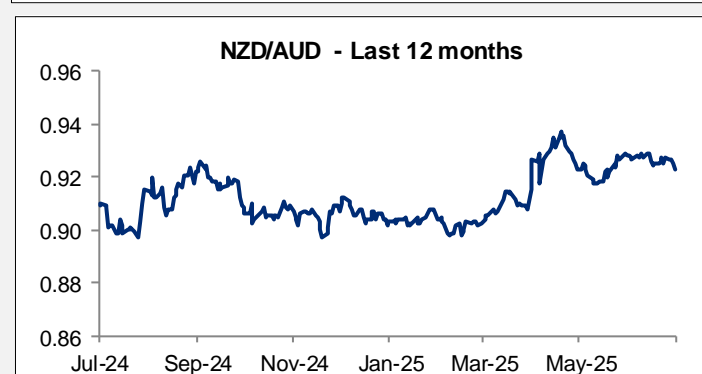
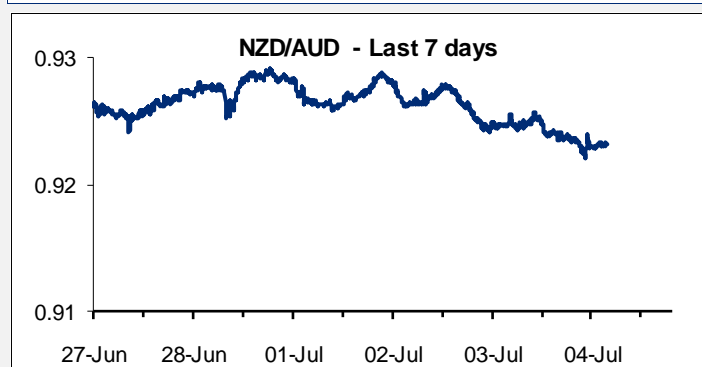
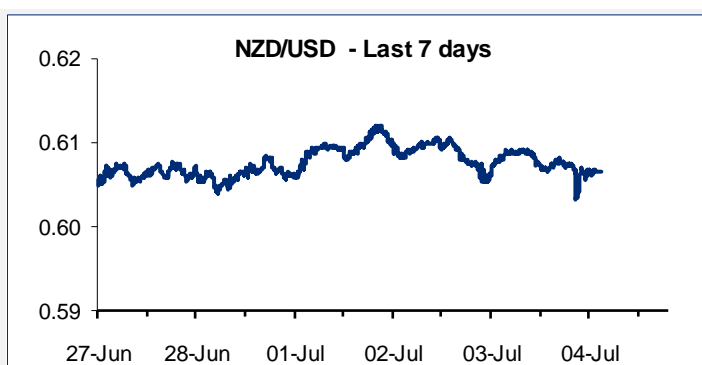
<b>4/07/2025</b>	<b>6:56 am</b>	<b>Prev. NY close</b>
USD	0.6066	0.6090
GBP	0.4447	0.4466
AUD	0.9233	0.9250
EUR	0.5162	0.5161
JPY	87.98	87.49
CAD	0.8227	0.8276
CHF	0.4828	0.4823
DKK	3.8518	3.8513
FJD	1.3606	1.3698
HKD	4.7626	4.7806
INR	51.77	52.20
NOK	6.1097	6.1268
PKR	172.12	172.76
PHP	34.12	34.33
PGK	2.4583	2.4666
SEK	5.8183	5.7941
SGD	0.7738	0.7752
CNY	4.3503	4.3623
THB	19.64	19.76
TOP	1.4099	1.4146
VUV	72.31	72.56
WST	1.6449	1.6545
XPF	61.70	61.89
ZAR	10.6179	10.6974

**NZD/USD Forward Points**

	<b>BNZ buys NZD</b>	<b>BNZ sells NZD</b>
1 Month	6.05	6.38
3 Months	18.53	18.94
6 Months	36.03	37.02
9 Months	49.70	51.70
1 Year	59.93	62.93

**NZD/AUD Forward Points**

	<b>BNZ buys NZD</b>	<b>BNZ sells NZD</b>
1 Month	3.51	4.31
3 Months	9.08	10.11
6 Months	15.24	18.51
9 Months	19.22	24.67
1 Year	22.48	31.19



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