

# Research Markets Today

6 August 2025

## Events Round-Up

CH: S&P Global PMI services, Jul: 52.6 vs. 50.6 prev.

US: Trade balance (\$b), Jun: -60.2 vs. -61.0 exp.

US: ISM services index, Jul: 50.1 vs. 51.5 exp.

## Good Morning

US equities show a modest fall, weakening after a poor ISM services survey but the impact on Treasuries and the USD was minimal. US Treasury yields are slightly higher led by the short end, while the USD is flat for the day. The NZD is close to 0.59, as it was this time yesterday.

The ISM services survey for July had a stagflationary vibe, with the headline index slipping less than a point to 50.1, against expectations for a modest lift, with new orders down to 50.3 and the employment index falling deeper into contractionary territory, at 46.4. Meanwhile, the prices paid index rose 2.4pts to a 30-month high of 69.9. The data plays to the view that US inflation will remain sticky and economic growth momentum is weakening, as was clearly evident in last week's data releases, including GDP figures for those willing to look past the headline bounce.

Earlier, in stark contrast, the competing S&P Global services PMI was revised up half a point to 55.7, although this survey is less regarded as it has a fraction of the sample size of the ISM survey and doesn't cover all service sectors.

The full trade report showed the US fiscal deficit narrowing to \$60.2b in June. Combining the data with tariff revenue, the average effective tariff rate leapt to 8%, from an average of about 2% last year. Estimates suggest that the average tariff rate will leap further to 18%, although these calculations are done on a pre-substitution basis. As trade gets re-routed and consumers switch to cheaper goods, the average tariff rate will rise to less than that, although the full gamut of tariffs has yet to be announced, particularly sector-specific tariffs.

On that note, in an interview with CNBC President Trump made a number of soundbites regarding tariffs. He said he will unveil new tariffs on semiconductors and chips within the next week or so. Planned tariffs on pharmaceuticals could eventually reach up to 250% (higher than the 200%

rate previously referenced), after initially imposing a "small tariff".

Regarding country tariffs, he said he'll be raising India's tariff over the next 24 hours, "very substantially" higher than the 25% tariff previously flagged as it continues to purchase Russian oil. The tariff on the EU will lift to 35% if it fails to meet its agreed \$600b worth of investment obligations. On a more positive note, he said he was "getting very close to a deal" with China to extend the trade truce due to expire on 12-August.

In terms of appointment of the next Fed Governor, Trump said there were four good candidates he was considering, naming former Fed Governor Warsh and National Economic Council Director Hassett as being on the short-list. Treasury Secretary Bessent was ruled out as he was happy to remain in his current role.

For US Treasuries, the US data had little impact on the market, with more focus on supply conditions. There was poor demand at the auction for \$58b of 3-year notes, which went for 2bps higher than prevailing yields. In the next two days the market will need to absorb \$42b of 10-year notes and \$25b of 30-year notes as well as a record-setting \$100b of 4-week bills. The 2-year rate is up 4bps for the day to 3.72% while the 10-year rate is up less than 1bp to 4.20%.

Net currency movements have been insignificant across most of the majors. The yen has been the largest mover, with USD/JPY up 0.4% to 147.65 and NZD/JPY up modestly to just over 87, but other changes in currencies have been minimal. NZD/USD continues to languish around 0.59 and the NZD is marginally weaker on most of the key crosses, including NZD/EUR slipping below 0.51 and NZD/AUD approaching 0.91. The NZD has struggled since Trump imposed a 15% tariff on NZ, making NZ lose its competitive edge compared to some competing trading partners, and there might also be some caution ahead of this morning's labour market data, which are expected to be soft.

Yesterday, China's S&P Global PMI services index (previously sponsored by Caixin), rose 2 full points to 52.6, its highest level since May last year, painting a more positive economic picture than the official version, which covers both service and construction sectors. There was little market reaction to the news.

The domestic rates market extended the run of falling yields, supported by global forces, with NZGB yields down 4-6bps and swap rates down 4-5bps. The 2-year swap rate closed at 3.06%, falling towards the 3.03% closing low of early April. Rates at the longer end of the curve are also probing multi-month lows. The OIS market prices in two full rate cuts that would take the OCR down to 2.75%.

In the day ahead the domestic focus will be on the various NZ labour market reports. The consensus sees a small fall in employment for Q2, supporting a lift in the unemployment rate to a nine-year high of 5.3%. Expectations look like a re-run of a quarter ago, when the market expected the same, although in that case the unemployment rate was recorded as flat, at 5.1%.

Elsewhere, Japan wage data will be of some interest, while the global calendar is light tonight.

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## Coming Up

		Period	Cons.	Prev.	NZT
NZ	Unemployment rate (%)	Q2	5.3	5.1	10:45
NZ	Employment (q/q%)	Q2	-0.1	0.1	10:45
NZ	LCI pvt wages x overtime (q/q%)	Q2	0.5	0.4	10:45
NZ	QES avg hrly earnings (q/q%)	Q2		0.2	10:45
JN	Scheduled FT pay, same base (y/y%)	Jun	2.5	2.4	11:30
GE	Factory orders (m/m%)	Jun	1.1	-1.4	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	0.5894	-0.3	0.5881	0.5905	CHF	0.8075	-0.1	S&P 500	6,305	-0.4	21.6	Oil (Brent)	67.66	-1.6
AUD	0.6468	+0.0	0.6450	0.6479	SEK	9.672	+0.1	Dow	44,113	-0.1	14.0	Oil (WTI)	65.21	-1.6
EUR	1.1573	+0.0	1.1528	1.1586	NOK	10.261	-0.1	Nasdaq	20,929	-0.6	29.2	Gold	3380.8	+0.2
GBP	1.3294	+0.1	1.3260	1.3316	HKD	7.850	-0.0	Stoxx 50	5,250	+0.1	14.8	HRC steel	850.0	-0.6
JPY	147.66	+0.4	147.16	147.84	CNY	7.184	+0.0	FTSE	9,143	+0.2	14.2	CRB	293.7	-0.6
CAD	1.3786	+0.1			SGD	1.288	+0.0	DAX	23,846	+0.4	37.5	Wheat Chic.	528.5	-1.6
NZD/AUD	0.9113	-0.3			IDR	16,390	-0.1	CAC 40	7,621	-0.1	6.6	Sugar	16.09	-1.0
NZD/EUR	0.5093	-0.3			THB	32.33	-0.2	Nikkei	40,550	+0.6	16.9	Cotton	65.59	+1.8
NZD/GBP	0.4434	-0.3			KRW	1,386	+0.1	Shanghai	3,618	+1.0	26.2	Coffee	290.9	+3.3
NZD/JPY	87.03	+0.2			TWD	29.92	+0.1	ASX 200	8,770	+1.2	14.2	WM powder	3955	+0.1
NZD/CAD	0.8125	-0.2			PHP	57.65	+0.5	NZX 50	12,877	+1.5	5.2	Australian Futures		
NZ TWI	68.33	-0.2						VIX Index	17.78	+1.5	-53.9	3 year bond	96.63	-0.02
Interest Rates												10 year bond 95.77 0.00		
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	3.48	3.67	USD	4.19	0.00	15-Apr-27	3.16	-0.04	BKBM 1-mth	3.23	-0.01	
AUD	3.85	3.66	3.24	4.12	AUD	4.23	-0.09	15-May-28	3.35	-0.04	BKBM 3-mth	3.14	-0.01	
NZD	3.25	3.14	3.06	3.96	NZD	4.42	-0.05	20-Apr-29	3.53	-0.04	1 year	3.00	-0.03	
EUR	2.00	1.99	2.04	2.61	GER	2.62	0.00	15-May-30	3.72	-0.04	2 year	3.06	-0.04	
GBP	4.25	4.37	3.63	4.01	GBP	4.52	0.01	15-May-31	3.92	-0.05	3 year	3.19	-0.04	
JPY	0.48	-0.03	0.75	1.27	JPY	1.47	-0.04	15-May-32	4.09	-0.05	5 year	3.45	-0.05	
CAD	2.75	4.97	2.59	3.09	CAD	3.38	-0.01	14-Apr-33	4.20	-0.05	7 year	3.69	-0.05	
								15-May-34	4.32	-0.05	10 year	3.96	-0.05	
								15-May-35	4.42	-0.05	15 year	4.24	-0.05	
								15-May-36	4.52	-0.06	NZ Inflation-Indexed Bonds			
								15-May-37	4.64	-0.06	Sep-30	1.93	-0.00	
								15-May-41	4.92	-0.05	Sep-35	2.62	-0.00	
								15-May-51	5.12	-0.04	Sep-40	3.03	-0.00	
								15-May-54	5.14	-0.04				
* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer														
Rates are as of: NZT 06:50														
Source: Bloomberg														

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**NZD exchange rates**

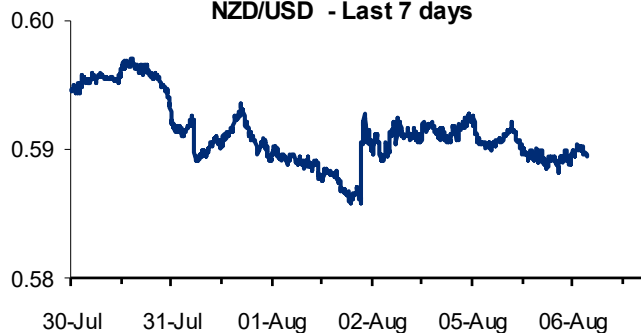
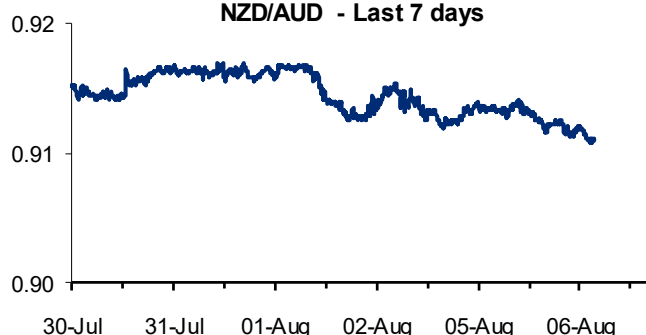
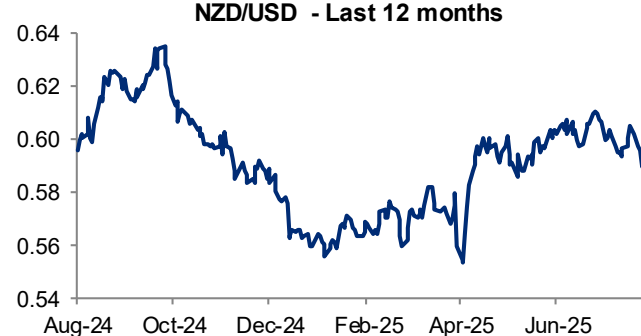
<b>6/08/2025</b>	<b>6:51 am</b>	<b>Prev. NY close</b>
USD	0.5894	0.5908
GBP	0.4434	0.4447
AUD	0.9113	0.9136
EUR	0.5093	0.5106
JPY	87.03	86.90
CAD	0.8125	0.8141
CHF	0.4762	0.4774
DKK	3.8018	3.8100
FJD	1.3347	1.3415
HKD	4.6299	4.6378
INR	51.79	51.79
NOK	6.0480	6.0663
PKR	166.71	168.35
PHP	34.00	33.90
PGK	2.3995	2.4036
SEK	5.6994	5.7090
SGD	0.7593	0.7607
CNY	4.2371	4.2425
THB	19.10	19.17
TOP	1.3803	1.3836
VUV	70.72	70.84
WST	1.6158	1.6252
XPF	61.08	61.20
ZAR	10.5532	10.5939

**NZD/USD Forward Points**

	<b>BNZ buys NZD</b>	<b>BNZ sells NZD</b>
1 Month	6.62	6.74
3 Months	18.60	19.00
6 Months	34.87	35.87
9 Months	47.33	49.29
1 Year	57.43	60.37

**NZD/AUD Forward Points**

	<b>BNZ buys NZD</b>	<b>BNZ sells NZD</b>
1 Month	4.54	4.96
3 Months	13.61	14.64
6 Months	23.78	26.55
9 Months	31.16	36.89
1 Year	38.84	47.69

**NZD/USD - Last 7 days****NZD/AUD - Last 7 days****NZD/USD - Last 12 months****NZD/AUD - Last 12 months**

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