Markets Today

7 August 2025

Events Round-Up

NZ: Unemployment rate (%), Q2: 5.2 vs. 5.3 exp.
NZ: Employment (q/q%), Q2: -0.1 vs. -0.1 exp.
NZ: LCI pvt wages x overtime (q/q%), Q2: 0.6 vs. 0.5 exp.
NZ: QES avg hrly earnings (q/q%), Q2: 1.9 vs. 0.2% prior.
JN: Full time pay, same base (y/y%), Jun: 2.3 vs. 2.5 exp.
GE: Factory orders (m/m%), Jun: -1.0 vs. 1.1 exp.

Good morning

Global equity indices are broadly higher. The S&P's advance has almost fully retraced the decline after the weak services ISM print. President Trump said Indian imports will be subject to an additional 25% tariff, for its ongoing purchases of Russian oil, on top of the 25% rate they already face. The Swiss President was not successful in lowering the 39% tariff rate after travelling to Washington to present a proposal to US officials. Global bond markets are modestly higher in yield and the US dollar is weaker against G10 currencies.

There appears to be growing support for the US Federal Reserve to cut interest rates. Minneapolis Fed President Kashkari, who is a non-voter, said the US economy is slowing and it may be appropriate for an interest rate cut in the near term. He still expects the Fed to make two 25bp cuts by the end of the year, and noted the significant uncertainty, from the impact of tariffs on inflation.

Bloomberg reported that a temporary Fed governor could be nominated, to fill the vacant position to see out Kugler's term, which expires next January. This would provide more time to interview candidates for the next Fed Chair, after Powell's term expires in May of next year. The market has almost fully discounted a 25bp cut in September, and there is 60bp of easing priced by December, which is little changed since the large move following the weak labour market report.

Global bond yields are modestly higher with limited economic data to provide the market with direction. There was a short lived 6bp spike in 10-year treasury yields, with no clear reason for the sharp intra-day move, and an equally quick reversal lower. Front end treasury yields are little changed and 10-year notes settled ~2bp high in yield with a similar sized move for German bunds.

There was lacklustre demand from investors in the US$42 billion 10-year note auction. The auction cleared slightly more than a bp above prevailing market levels and the bid-cover ratio was the lowest in more than a year. This follows weak demand in the 3-year auction earlier in the week. Investor appetite for treasuries will be tested again tomorrow with US$25 billion of 30-year bonds being auctioned.

Measures of wages in Japan were softer than expected in June. Scheduled full time pay on a same sample basis dipped to 2.3% compared with a 2.5% consensus estimate. The data supports the Bank of Japan's cautious stance towards further tightening in addition to the uncertain economic backdrop. Market pricing indicates the BoJ will remain on hold at the September meeting and there is around 14bp of tightening priced by the end of the year.

NZ Q2 labour market data came in close to consensus estimates. The unemployment rate increased to 5.2%, which was marginally better than expected, but was offset by a drop in the participation rate to 70.5%. Employment fell 0.1% during the June quarter and is 0.9% below year earlier levels. The labour cost index increased 0.6% in the quarter. There was little to alter expectations for a 25bp cut on August 20.

The US dollar is broadly weaker in offshore trading with European currencies making the largest gains. However, the Swiss franc underperformed after the delegation failed to get a reprieve from the US on tariffs. NZD/USD gained in the local session yesterday with investors seemingly positioned for a weaker labour market report but has lagged European currencies overnight.

The NZ swap curve ended the local session yesterday 2-3bp higher in yield with similar moves seen in the government curve. NZ Debt Management will offer NZ$450 million in the weekly tender today testing investor appetite for bonds after the recent decline in yields. 10-year bond yields are near the lowest level in three months. The tender lines are May-30 (NZ$225m), May-35 ($175m) and May-41 ($50m). There will also be a small parcel of Sep-40 ($25m) inflation indexed bonds.

Turning to the day ahead, the RBNZ's Survey of Expectations will be monitored. 2-year inflation expectations edged higher in Q2, albeit within the context of being close to the midpoint of the central bank's target range. The Bank of England is unanimously expected to reduce its policy rate by 25bp to 4.0%. Divergent views within the committee point to a split decision between those favouring a larger 50bp cut, the expected 25bp adjustment, and some members that prefer to keep rates steady.

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Coming Up

		Period	Cons.	Prev.	NZT
AU	Trade Balance	Jun	3000	2238	13:30
NZ	2Yr Inflation Expectation	3Q		2.29	15:00
GE	Industrial Production SA (m/m%)	Jun	-0.5	1.2	18:00
UK	Bank of England Bank Rate	Aug	4	4.25	23:00

Source: Bloomberg, BNZ

Currencies

FX Majors — Indicative overnight ranges (*)

	Last	% Day	Low	High
NZD	0.5939	+0.6	0.5916	0.5939
AUD	0.6507	+0.5	0.6487	0.6508
EUR	1.1660	+0.8	1.1571	1.1661
GBP	1.3366	+0.5	1.3282	1.3367
JPY	147.07	-0.4	147.07	147.89
CAD	1.3740	-0.2		
NZD/AUD	0.9127	+0.1		
NZD/EUR	0.5093	-0.1		
NZD/GBP	0.4443	+0.1		
NZD/JPY	87.34	+0.3		
NZD/CAD	0.8160	+0.4		
NZ TWI	68.68	+0.4		

Other FX

	Last	% Day
CHF	0.8063	-0.2
SEK	9.606	-0.7
NOK	10.184	-0.7
HKD	7.850	+0.0
CNY	7.183	-0.0
SGD	1.285	-0.2
IDR	16,362	-0.2
THB	32.32	-0.1
KRW	1,385	-0.0
TWD	29.96	+0.1
PHP	57.51	-0.2

Equities

Major Indices

	Last	% Day	% Year
S&P 500	6,346	+0.8	21.1
Dow	44,253	+0.3	13.5
Nasdaq	21,168	+1.2	29.3
Stoxx 50	5,263	+0.3	15.0
FTSE	9,164	+0.2	14.2
DAX	23,924	+0.3	37.9
CAC 40	7,635	+0.2	7.1
Nikkei	40,795	+0.6	16.3
Shanghai	3,634	+0.5	26.6
ASX 200	8,844	+0.8	14.9
NZX 50	12,880	+0.0	4.5
VIX Index	16.62	-6.9	-40.0

Commodities

Price (Near futures, except CRB)

	Last	Net Day
Oil (Brent)	66.81	-1.2
Oil (WTI)	64.24	-1.4
Gold	3383.3	+0.0
HRC steel	844.0	-0.7
CRB	293.3	-0.1
Wheat Chic.	529.0	+0.1
Sugar	16.01	-0.3
Cotton	65.70	+0.2
Coffee	286.4	-1.2
WM powder	3975	+0.5

Australian Futures

3 year bond	96.60	-0.03
10 year bond	95.72	-0.04

Interest Rates

	Rates	Swap Yields		
	Cash	3Mth	2 Yr	10 Yr
USD	4.50	4.85	3.47	3.71
AUD	3.85	3.67	3.27	4.15
NZD	3.25	3.14	3.08	3.98
EUR	2.00	1.97	2.06	2.63
GBP	4.25	4.36	3.61	4.01
JPY	0.48	-0.03	0.78	1.28
CAD	2.75	4.97	2.58	3.11

Benchmark 10 Yr Bonds

	Last	Net Day
USD	4.22	0.01
AUD	4.25	0.03
NZD	4.45	0.03
GER	2.65	0.03
GBP	4.53	0.01
JPY	1.50	0.03
CAD	3.40	0.02

Policy Meeting Run

	NZD	AUD	USD
1st	3.02	3.59	4.09
2nd	2.97	3.50	3.93
3rd	2.86	3.19	3.72
4th	2.79	3.23	3.61
5th	2.78	3.10	3.48

NZ Government Bonds

	Last	Chg
15-Apr-27	3.19	0.03
15-May-28	3.38	0.03
20-Apr-29	3.56	0.03
15-May-30	3.75	0.03
15-May-31	3.96	0.04
15-May-32	4.12	0.04
14-Apr-33	4.23	0.03
15-May-34	4.35	0.03
15-May-35	4.45	0.03
15-May-36	4.55	0.03
15-May-37	4.67	0.03
15-May-41	4.95	0.03
15-May-51	5.15	0.03
15-May-54	5.17	0.03

NZ BKBM and Swap Yields

	Last	Chg
BKBM 1-mth	3.22	-0.01
BKBM 3-mth	3.14	0.00
1 year	3.03	0.02
2 year	3.08	0.02
3 year	3.21	0.02
5 year	3.46	0.02
7 year	3.71	0.02
10 year	3.98	0.02
15 year	4.26	0.02

NZ Inflation-Indexed Bonds

Sep-30	1.95	0.02
Sep-35	2.64	0.02
Sep-40	3.04	0.02

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

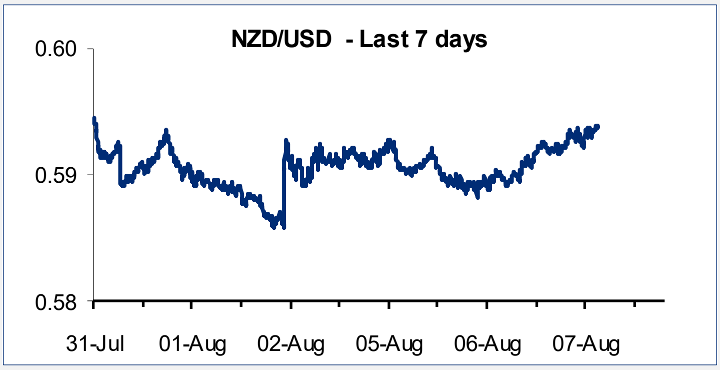
Rates are as of: NZT 06:32

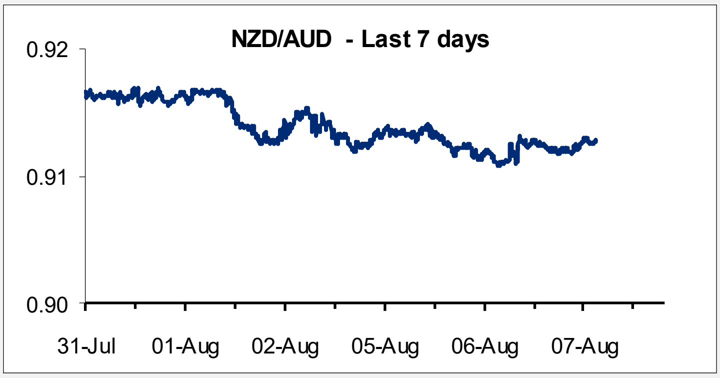
Source: Bloomberg

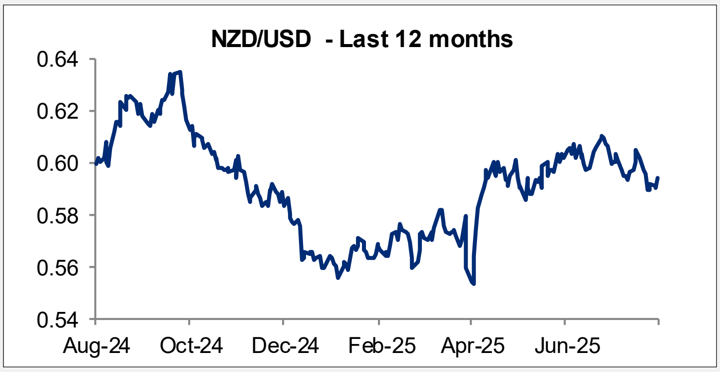
NZD exchange rates		
7/08/2025	6:32 am	Prev. NY close
USD	0.5939	0.5903
GBP	0.4443	0.4439
AUD	0.9127	0.9119
EUR	0.5093	0.5100
JPY	87.34	87.14
CAD	0.8160	0.8130
CHF	0.4789	0.4767
DKK	3.8016	3.8055
FJD	1.3406	1.3404
HKD	4.6621	4.6337
INR	52.11	51.83
NOK	6.0485	6.0562
PKR	167.87	168.21
PHP	34.15	34.03
PGK	2.4511	2.4015
SEK	5.7048	5.7086
SGD	0.7630	0.7602
CNY	4.2659	4.2407
THB	19.24	19.12
TOP	1.3932	1.3824
VUV	71.56	70.81
WST	1.6278	1.6230
XPF	61.29	61.14
ZAR	10.5472	10.5765

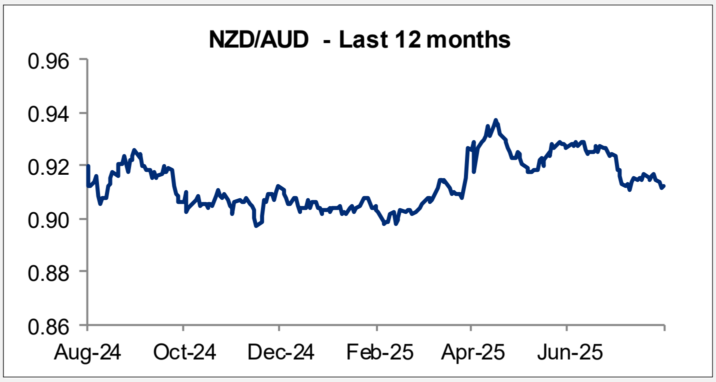
NZD/USD Forward Points	BNZ buys NZD	BNZ sells NZD
1 Month	6.41	6.60
3 Months	18.84	19.30
6 Months	33.87	34.87
9 Months	45.71	47.51
1 Year	55.05	58.03

NZD/AUD Forward Points	BNZ buys NZD	BNZ sells NZD
1 Month	4.48	4.91
3 Months	14.04	15.07
6 Months	24.22	26.78
9 Months	32.42	37.06
1 Year	40.94	48.56









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