

Research Markets Today

8 July 2025

Events Round-Up

JN: Fulltime pay-same base (y/y%), May: 2.4 vs. 2.6 exp.

GE: Industrial production (m/m%), May: 1.2 vs. -0.2 exp.

Good Morning

Trump's tariff policy is back in the headlines, as the key 9-July date approaches, which was the deadline for the end of the pause in reciprocal tariffs that were announced on Liberation Day. Ahead of that date, threats of higher tariffs have begun to be rolled out and markets are not liking it, although the new deadline for negotiation is now 1-August. US equities are lower, US Treasury yields are higher with a steeper curve, and the USD is broadly stronger, with the NZD probing sub -0.60.

There was plenty of warning on Friday that this could be a tumultuous week in markets, when Trump's tariff policy returned to the headlines and he said he would be starting to send out letters to trading partners, warning them of their new tariff rates, due to be implemented 1 August.

That process began overnight, with Japan and South Korea being the first two countries in the firing line. On Truth Social, Trump posted the letters he sent to their leaders, outlining the plan to raise their tariff rates to "only" 25%, line with the figures threatened on Liberation Day (Japan's was initially set at 24%, South Korea was 25%). Within the last hour, Trump has also announced new tariff rates for Kazakhstan (25%), Laos (40%), Malaysia (25%), Myanmar (40%) and South Africa (30%).

We can expect more letters to be "announced" at any given moment, that will keep markets on tenterhooks, with Trump's spokeswoman saying there will be other countries getting notification today and additional letters over coming days. For the countries that face higher tariffs, there will still be time to negotiate, ahead of the new 1-August deadline for implementation. Negotiation would be the best next step for these countries, with the letter saying that any retaliation would be met with higher tariffs. South Korea doesn't seem to have much leverage, given its free-trade agreement with the US sees almost all of Korea's tariffs for US imports already at zero.

The EU said it was closing in on a trade framework agreement with the US, following a weekend call between Trump and EC President von der Leyen. Reuters reported

that the EU won't be receiving a letter from the US on higher tariffs.

During NZ trading hours, President Trump said he would put an additional 10% tariff on any country aligning themselves with "the Anti-American policies of BRICS". This comment came after the BRICS group of countries – that includes Brazil, Russia, India and China – issued a statement in the weekend condemning US and Israeli attacks on Iran and called for Israel to withdraw troops from the Gaza strip, urging "just and lasting" solutions to Middle east conflicts.

With the warning given on Friday, markets opened the new week with weaker risk sentiment and risk assets extended losses overnight. With an hour left of trading, the US S&P500 is down close to 1%, with Tesla being the worst performing stock, down over 7% after Elon Musk announced a new political party to take on the establishment. The Euro Stoxx 600 closed up 0.4%, but the market was closed just ahead of the tariff announcement for Japan and South Korea.

Treasury yields are higher across the curve, led by the long end, with investors worried about the potential fallout of US tariffs and the market needing to absorb new supply of 3, 10, and 30-year debt auctions this week. Relative to last week's close, ahead of the Independence Day holiday, the 2-year rate is up 2 bps to 3.90%, the 10-year rate is up 5bps to 4.39% and the 30-year rate is up 7bps to 4.93%.

In the currency market, the theme has been broad USD strength, with commodity currencies underperforming alongside a weaker yen and Korean won. Dollar indices are up between 0.4-0.6%. The NZD is trading down 1% from last week's close to around 0.60, after falling to a low just below 0.5990 last night. The AUD has followed the same path, trading close to 0.65. JPY and KRW have both fallen just over 1% and NZD/JPY is higher at 87.7.

The underperformance of the NZD against European currencies, sees NZD/EUR and NZD/GBP crosses lower, the latter down 0.7% from last week's close, pushing towards 0.44.

The domestic rates market was uneventful, with NZGB and swap rates down 1-2bps across the curves out to 10-years maturity. There should be a bit more price action day, with the Australian 10-year bond future up 5bps in yield terms since the NZ close.

In the day ahead the focus will be on the RBA policy meeting this afternoon, where there is a strong consensus for the Bank to deliver another 25bps rate cut, taking the cash rate target down to 3.60%. This is almost fully priced and with about 90bps in cuts priced cumulatively through the coming year, the market will be looking for hints that the Bank sees scope for plenty of further easing ahead.

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Coming Up

		Period	Cons.	Prev.	NZT
AU	NAB business conditions	Jun		0	13:30
AU	RBA cash rate target (%)	Jul	3.6	3.85	16:30
US	NFIB small business optimism	Jun	98.7	98.8	22:00
US	NY Fed 1yr inflation expectations	Jun		3.2	03:00

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	0.6001	-1.0	0.5989	0.6017	CHF	0.7984	+0.6	S&P 500	6,210	-1.1	11.6	Oil (Brent)	69.89	+2.4
AUD	0.6499	-0.9	0.6486	0.6519	SEK	9.516	-0.4	Dow	44,306	-1.2	12.5	Oil (WTI)	68.27	+1.9
EUR	1.1717	-0.5	1.1687	1.1759	NOK	10.121	+0.4	Nasdaq	20,391	-1.0	11.1	Gold	3344.3	+0.1
GBP	1.3610	-0.3	1.3576	1.3648	HKD	7.850	+0.0	Stoxx 50	5,342	+1.0	7.3	HRC steel	879.0	-0.7
JPY	146.15	+1.2	144.98	146.24	CNY	7.176	+0.1	FTSE	8,807	-0.2	7.3	CRB	299.9	-0.3
CAD	1.3666	+0.5			SGD	1.280	+0.4	DAX	24,074	+1.2	30.3	Wheat Chic.	548.8	-1.4
NZD/AUD	0.9234	-0.1			IDR	16,240	+0.3	CAC 40	7,723	+0.4	0.6	Sugar	16.28	-0.6
NZD/EUR	0.5122	-0.4			THB	32.60	+0.8	Nikkei	39,588	-0.6	-2.9	Cotton	65.39	-1.7
NZD/GBP	0.4409	-0.7			KRW	1,378	+1.1	Shanghai	3,473	+0.0	18.8	Coffee	278.3	-3.9
NZD/JPY	87.70	+0.2			TWD	29.05	+0.4	ASX 200	8,589	-0.2	10.6	WM powder	3790	-0.3
NZD/CAD	0.8201	-0.5			PHP	56.69	+0.5	NZX 50	12,765	-0.0	8.7	Australian Futures		
NZ TWI	69.21	-0.5						VIX Index	18.24	+4.3	+46.2	3 year bond	96.70	0.02
Interest Rates												10 year bond 95.74 -0.05		
	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	3.84	USD	4.39 0.05	15-Apr-27	3.27	-0.01	BKBM 1-mth	3.33	0.00		
AUD	3.85	3.58	3.19	4.15	AUD	4.18 -0.01	15-May-28	3.48	-0.01	BKBM 3-mth	3.27	-0.00		
NZD	3.25	3.27	3.18	4.06	NZD	4.52 -0.02	20-Apr-29	3.66	-0.01	1 year	3.15	-0.00		
EUR	2.00	1.98	1.97	2.60	GER	2.64 0.04	15-May-30	3.84	-0.02	2 year	3.18	-0.01		
GBP	4.25	4.44	3.63	4.05	GBP	4.59 0.03	15-May-31	4.04	-0.01	3 year	3.29	-0.02		
JPY	0.48	-0.03	0.71	1.25	JPY	1.46 0.03	15-May-32	4.20	-0.01	5 year	3.55	-0.02		
CAD	2.75	4.97	2.54	3.09	CAD	3.41 0.06	14-Apr-33	4.32	-0.01	7 year	3.79	-0.02		
							15-May-34	4.42	-0.02	10 year	4.06	-0.01		
							15-May-35	4.52	-0.02	15 year	4.32	-0.01		
							15-May-36	4.62	-0.01					
							15-May-37	4.72	-0.00					
							15-May-41	4.97	-0.00					
							15-May-51	5.16	-0.00					
							15-May-54	5.20	-0.00					
* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer														
Rates are as of: NZT 06:54														
Source: Bloomberg														

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NZD exchange rates

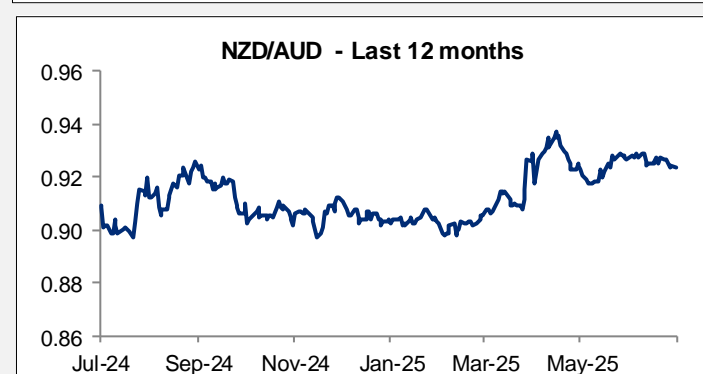
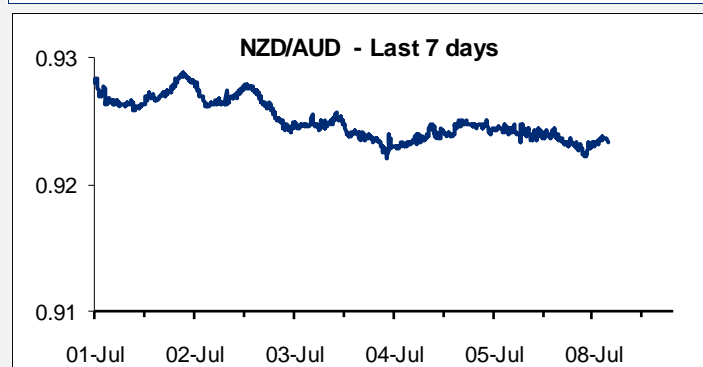
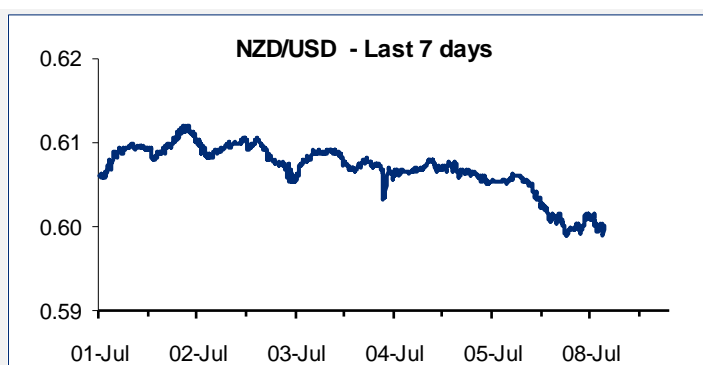
8/07/2025	6:55 am	Prev. NY close
USD	0.6001	0.6060
GBP	0.4409	0.4440
AUD	0.9234	0.9243
EUR	0.5122	0.5145
JPY	87.70	87.55
CAD	0.8201	0.8242
CHF	0.4791	0.4812
DKK	3.8208	3.8385
FJD	1.3519	1.3643
HKD	4.7107	4.7567
INR	51.53	51.75
NOK	6.0738	6.1093
PKR	170.56	171.92
PHP	34.03	34.19
PGK	2.4706	2.4949
SEK	5.7106	5.7932
SGD	0.7679	0.7721
CNY	4.3064	4.3424
THB	19.55	19.61
TOP	1.3962	1.4077
VUV	71.54	72.31
WST	1.6299	1.6302
XPF	61.12	61.56
ZAR	10.7142	10.6519

NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	6.47	6.63
3 Months	18.79	19.25
6 Months	36.03	37.03
9 Months	49.17	51.35
1 Year	59.50	62.50

NZD/AUD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	3.76	4.24
3 Months	9.61	10.74
6 Months	16.06	18.71
9 Months	19.49	24.95
1 Year	23.79	31.41



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