

Research Markets Today

10 July 2025

Events Round-Up

CH: PPI (y/y%), Jun: -3.6 vs. -3.2 exp.

CH: CPI (y/y%), Jun: +0.1 vs. -0.1 exp.

NZ: RBNZ official cash rate (%), Jul: 3.25 vs. 3.25 exp.

Good Morning

Newsflow has been light, but equity investors continue to pay little regard to Trump's tariff threats, with US and European markets stronger overnight. US Treasury yields have reversed course, with modest falls. Net currency movements have been small and there was little market reaction to the RBNZ's no-change policy decision yesterday.

Overnight, as promised President Trump posted more letters indicating new tariff rates that would apply from 1 August, subject to trade negotiations ahead of that date. These ranged between 20-30% for Algeria, Libya, Iraq, Sri Lanka, Brunei, Moldova and the Philippines, with most not far away from their Liberation Day tariff rates. More tariff rates will be announced later today. Being minor US trading partners, there was little market reaction to these. In terms of major trading partners, we are yet to find out about, there is more interest in where India, the EU and Taiwan sit.

Media report that an EU-US trade deal could potentially come within days. EU trade chief Šefčovič told European lawmakers the two sides had made "good progress" on the text of a joint statement, which he said could pave the way for a future, fully fledged EU-US trade agreement. There is optimism that the baseline tariff rate will remain at 10%, as for the UK.

Market reaction to Trump's latest sweep of tariff announcements has been nothing like what we saw in early April, and investors are taking a punt that the average US tariff rate won't end up far from the current level. Thus, equity investors are unperturbed and the S&P500 is currently up 0.4%, with Nvidia briefly trading at a market cap of \$4 trillion, the first company to reach that milestone. The Euro Stoxx 600 index rose 0.8% while Germany's DAX index rose 1.4% to a fresh record high.

Treasuries have broken a five-day losing streak, and yields have pushed lower across the curve. Even though the 10-

year rate was heading lower into an auction for \$39b of new notes, the event was still well received and yields subsequently fell further. The yield is currently near the low for the day, just under 4.34%, down about 7bps from the NZ close.

Minutes from the Fed's June meeting didn't reveal much new. "While a few participants noted that tariffs would lead to a one-time increase in prices and would not affect longer-term inflation expectations, most participants noted the risk that tariffs could have more persistent effects on inflation" A couple of participants said they would be open to considering a rate cut at the next meeting in July and they have since revealed themselves as Governor Waller and Bowman – these two are clearly in the minority.

Net currency movements for the day have been modest, with all majors contained within plus or minus 0.25% compared to this time yesterday. The NZD has been tracking sideways around the 0.6000 mark, showing little reaction to the RBNZ update yesterday (see below). NZD/AUD is flat around 0.9180. JPY recovered a little of its lost ground of the previous two days, supported by lower US Treasury yields and NZD/JPY has consolidated below 88.

Yesterday, the RBNZ left the OCR unchanged at 3.25%, the first pause in the easing cycle since it began in August last year. The minutes revealed some robust debate on whether to cut again or hold policy steady, with the consensus opting to hold. The door was opened to a rate cut in August, with an explicit easing bias reintroduced into the press release viz "the Committee expects to lower the Official Cash Rate further", and with the minutes adding "broadly consistent with the projection outlined in May".

While the initial market reaction was higher rates and a higher NZD, after the market digested the news, these moves faded, and the net change was small. The 2-year swap rate closed up 2bps to 3.21%, down a basis point from the level prevailing just before the announcement. Earlier in the day, global forces (mostly reflecting the post-RBA on-hold decision the previous day) had driven rates modestly higher. With short end rates underpinned, the NZGB and swap curves steepened, with 10-year NZGB and swap rates closing the day up 5bps and 6bps respectively.

The OIS market prices about a 70% chance of a 25bps rate cut at the next meeting in August and just under 40bps of

The economic calendar remains light for the day ahead, with US jobless claims data the only release of note.

Coming Up

Source: Bloomberg, BNZ

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

NZD exchange rates

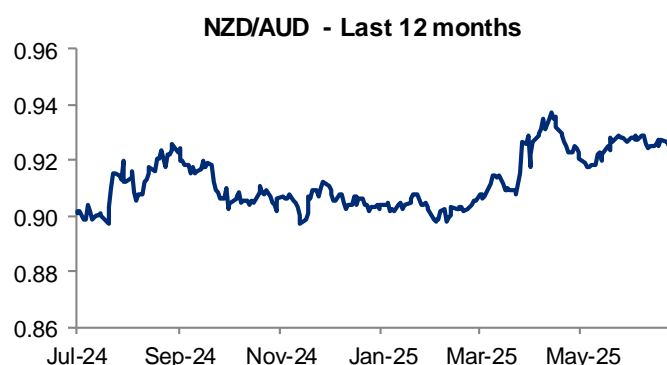
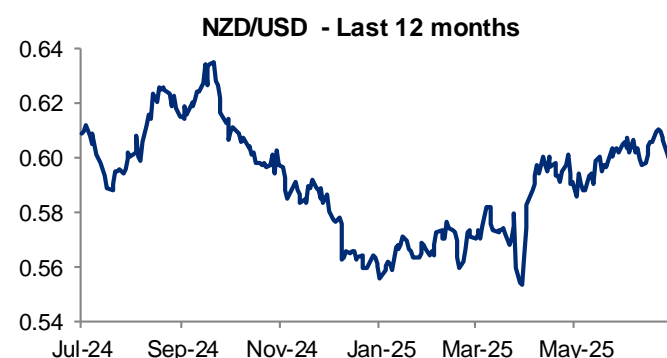
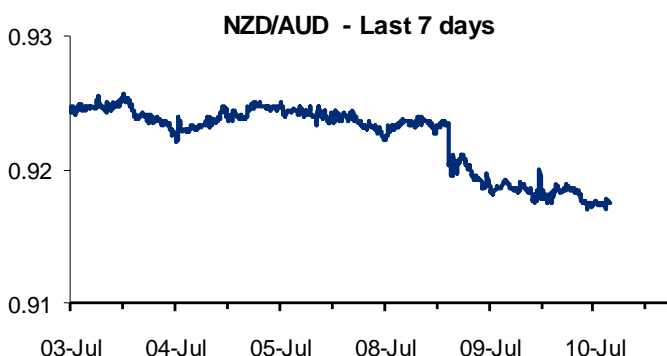
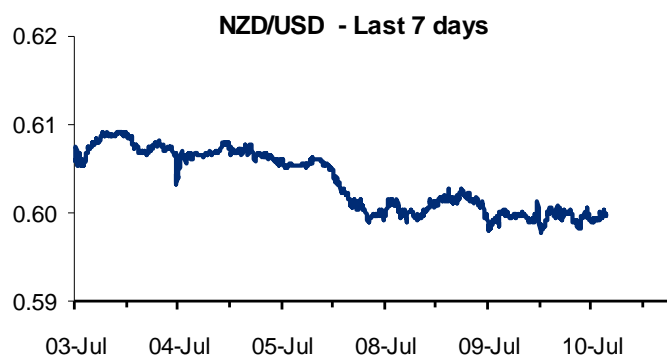
10/07/2025 6:53 am		Prev. NY close
USD	0.5999	0.5998
GBP	0.4415	0.4413
AUD	0.9177	0.9185
EUR	0.5123	0.5116
JPY	87.79	87.92
CAD	0.8216	0.8193
CHF	0.4769	0.4774
DKK	3.8218	3.8166
FJD	1.3569	1.3561
HKD	4.7092	4.7084
INR	51.40	51.40
NOK	6.0558	6.0556
PKR	170.60	170.48
PHP	33.94	33.81
PGK	2.4697	2.4502
SEK	5.7090	5.7129
SGD	0.7681	0.7674
CNY	4.3077	4.3057
THB	19.62	19.51
TOP	1.3967	1.4057
VUV	71.88	71.98
WST	1.6311	1.6322
XPF	61.11	61.06
ZAR	10.6752	10.6680

NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	5.97	6.17
3 Months	19.51	19.93
6 Months	35.90	36.90
9 Months	49.01	51.09
1 Year	58.25	61.57

NZD/AUD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	5.05	5.50
3 Months	14.71	15.77
6 Months	24.35	26.95
9 Months	30.82	35.64
1 Year	35.73	43.55



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