

Research Markets Today

12 June 2025

Events Round-Up

US: CPI (m/m%), May: 0.1 vs. 0.2 exp.

US: CPI ex food, energy (m/m%), May: 0.1 vs. 0.3 exp.

US: CPI (y/y%), May: 2.4 vs. 2.4 exp.

US: CPI ex food, energy (y/y%), May: 2.8 vs. 2.9 exp.

Good Morning

Softer than expected US CPI data drove down US rates and the USD, although European currencies have been the main beneficiary. The NZD and AUD are little changed overnight after a disappointing end to US-China trade talks, with no progress other than agreeing to what was previously agreed, although full details have yet to be officially released.

The two-day trade negotiations between the US and China ended in London with a framework for implementing the agreement from last month's Geneva meeting – a lot of effort to agree to what was agreed last month! On that basis the outcome is disappointing, and no real progress has been made. The reduced tariffs agreed in Geneva will remain in place and it looks like the London meeting was focused on non-tariff barriers. On social media, Trump said full magnets and any necessary rare earths will be supplied up front by China and likewise the US will provide to China what was agreed to, including Chinese students using US colleges and universities.

Not mentioned by Trump, but in a sourced report by the WSJ, China is putting a six-month limit on rare earth export licences, giving China leverage if trade tensions flare up again. In exchange, the US was said to agree to relax some recent restrictions on the sale to China of products such as jet engines and related parts, as well as ethane, a component of natural gas important in manufacturing plastics. Details of the framework are still being worked out. There has been no mention of China's access to semiconductors.

US inflation data were weaker than expected, with the CPI ex food and energy, up 0.1% compared to the consensus estimate of 0.3%, meaning that the annual increase was steady at 2.8% against an expected tick higher. The impact of Trump's policies seemingly has generated offsetting forces, with the added uncertainty and America-first stance resulting in weaker inflation for the likes of airfares

and accommodation, while the direct impact of tariffs on goods has so far been limited. The latter is normal, and these will still take several months to come through. Initial impacts show the prices of toys up by the most since 2023 and the cost of major appliances rising by the most in nearly five years.

PPI data due tonight will help improve estimates of the PCE deflator – the Fed's preferred inflation target – due at the end of the month, but Pantheon Macroeconomics currently estimates the core measure will come in higher at 0.2% m/m.

US treasury yields fell immediately after the CPI report and the fall has been sustained, seeing rates down 5-7bps for the day and the market supported by good bidding for the \$39b sale of 10-year notes. The 10-year rate is currently 4.42%, down 5bps from the NZ close. Market pricing for Fed rate cuts this year increased to 49bps from 43bps at yesterday's close.

US Treasury Secretary Bessent has been testifying in front of lawmakers and sees no progress in reducing the fiscal deficit, with figure expected to be between 6.5% and 6.7% of GDP in the current fiscal year ending September. Regarding the debt ceiling, the date when Treasury exhausts its capacity to keep under the statutory debt limit, is a moving target, estimated to be somewhere between middle to late summer. Regarding speculation of him being appointed as the next chair of the Fed, Bessent said he would like to "stay in my seat" at Treasury to 2029.

In currency markets, lower US rates dragged down the USD, but European currencies have been the main beneficiaries, with the NZD and AUD languishing, following the lack of positive news from the US-China trade talks. The NZD is around 0.6040 and the AUD is at 0.6515, both little changed from this time yesterday and at the NZ close. EUR has pushed up towards 1.15, seeing NZD/EUR fall towards 0.5250 while a stronger GBP sees NZD/GBP down towards 0.4450. The lower rates backdrop has supported the yen and NZD/JPY has fallen to 87.2.

US equities have had an uneventful session and the S&P500 is currently down modestly. Oil prices are up over 4%, attributed to comments by Trump that was getting "less confident" about whether he can convince Iran to agree to shut down its nuclear programme and a breaking report that the US embassy in Iraq is preparing to be

evacuated because of rising security risks. Brent crude is trading at a two-month high above USD69.50 per barrel.

Yesterday, the domestic rates market again showed small movement in yields, although there was a notable flattening bias in the curves. Short-end NZGB yields were up 2bps, against an unchanged 10-year rate of 4.62% and a 1bp fall in ultra long bond yields. In the swap market the 2-year rate was up 2bps to 3.28% against a 2bps fall in the 10-year rate to 4.14%.

On the economic calendar, NZ card spending data will be released. Tonight sees UK GDP for April and PPI and jobless claims data for the US.

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Coming Up

		Period	Cons.	Prev.	NZT
NZ	Card spending total (m/m%)	May	-0.2	10:45	
UK	GDP (m/m%)	Apr	-0.1	0.2	18:00
UK	Industrial production (m/m%)	Apr	-0.5	-0.7	18:00
US	PPI ex food, energy (m/m%)	May	0.3	-0.4	00:30
US	PPI ex food, energy (y/y%)	May	3.1	3.1	00:30
US	Initial jobless claims (k)	7-Jun	242	247	00:30

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	0.6036	-0.2	0.6024	0.6066	CHF	0.8202	-0.3	S&P 500	6,024	-0.2	12.1	Oil (Brent)	69.67	+4.2		
AUD	0.6509	-0.2	0.6501	0.6546	SEK	9.563	-0.4	Dow	42,924	+0.1	10.8	Oil (WTI)	68.05	+4.7		
EUR	1.1488	+0.6	1.1405	1.1500	NOK	10.067	-0.4	Nasdaq	19,638	-0.4	13.2	Gold	3343.4	+0.7		
GBP	1.3549	+0.4	1.3465	1.3567	HKD	7.850	+0.0	Stoxx 50	5,393	-0.4	8.6	HRC steel	860.0	-2.6		
JPY	144.50	-0.3	144.33	145.46	CNY	7.191	+0.0	FTSE	8,864	+0.1	8.8	CRB	299.3	-0.7		
CAD	1.3661	-0.1			SGD	1.285	-0.2	DAX	23,949	-0.2	30.4	Wheat Chic.	549.0	+0.0		
NZD/AUD	0.9273	-0.1			IDR	16,260	-0.1	CAC 40	7,776	-0.4	-0.2	Sugar	16.42	-0.4		
NZD/EUR	0.5254	-0.8			THB	32.61	-0.1	Nikkei	38,421	+0.5	-1.2	Cotton	65.47	+0.1		
NZD/GBP	0.4455	-0.6			KRW	1,369	+0.1	Shanghai	3,402	+0.5	12.0	Coffee	348.6	-1.3		
NZD/JPY	87.22	-0.5			TWD	29.91	-0.1	ASX 200	8,592	+0.1	11.4	WM powder	3915	-1.1		
NZD/CAD	0.8246	-0.3			PHP	55.88	+0.1	NZX 50	12,606	+0.3	7.4	Australian Futures				
NZ TWI	69.72	-0.3						VIX Index	17.24	+1.7	+34.2	3 year bond	96.58	-0.05		
Interest Rates												10 year bond			95.77	0.03
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	3.73	3.90	USD	4.42	-0.05	15-Apr-27	3.42	0.02	BKBM 1-mth	3.36	0.00			
AUD	3.85	3.73	3.25	4.13	AUD	4.28	0.03	15-May-28	3.62	0.02	BKBM 3-mth	3.31	-0.00			
NZD	3.25	3.31	3.28	4.14	NZD	4.62	-0.00	20-Apr-29	3.79	0.01	1 year	3.22	0.00			
EUR	2.00	1.95	1.98	2.55	GER	2.54	0.01	15-May-30	3.96	0.01	2 year	3.28	0.02			
GBP	4.25	4.51	3.73	4.06	GBP	4.55	0.01	15-May-31	4.16	0.01	3 year	3.40	0.01			
JPY	0.48	-0.03	0.73	1.23	JPY	1.47	-0.01	15-May-32	4.32	0.00	5 year	3.65	-0.00			
CAD	2.75	4.97	2.55	3.06	CAD	3.34	-0.01	14-Apr-33	4.42	-0.00	7 year	3.88	-0.01			
								15-May-34	4.53	-0.01	10 year	4.14	-0.02			
								15-May-35	4.62	-0.00	15 year	4.39	-0.02			
								15-May-36	4.71	-0.01						
								15-May-37	4.82	-0.01						
								15-May-41	5.07	-0.01						
								15-May-51	5.27	-0.01						
								15-May-54	5.31	-0.01						
* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer												NZ Inflation-Indexed Bonds				
Rates are as of: NZT 06:53												Sep-30	2.15	0.00		
Source: Bloomberg												Sep-35	2.85	0.00		
												Sep-40	3.23	0.00		

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

Rates are as of: NZT 06:53

Source: Bloomberg

NZD exchange rates

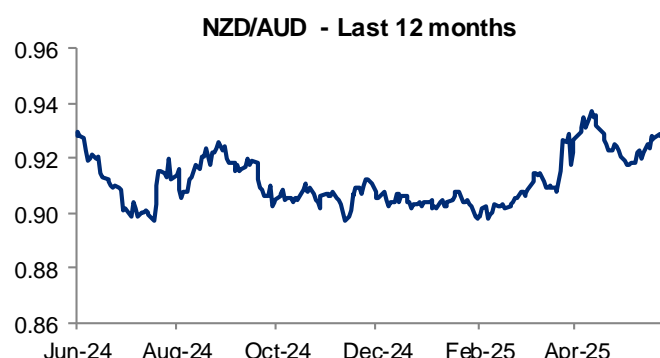
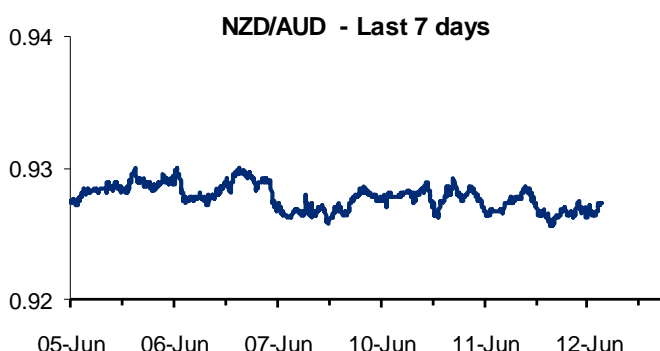
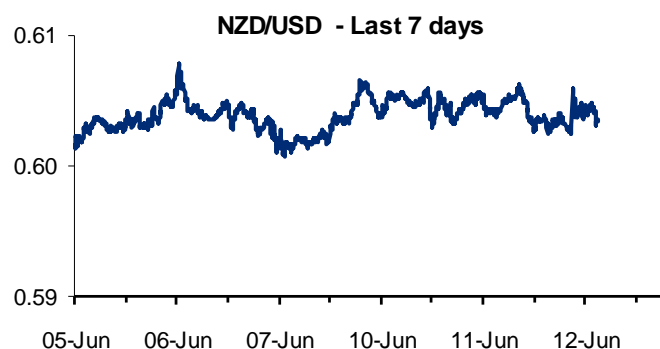
12/06/2025 6:53 am		Prev. NY close
USD	0.6036	0.6052
GBP	0.4455	0.4483
AUD	0.9273	0.9279
EUR	0.5254	0.5297
JPY	87.22	87.68
CAD	0.8246	0.8274
CHF	0.4952	0.4980
DKK	3.9181	3.9514
FJD	1.3653	1.3705
HKD	4.7410	4.7497
INR	51.65	51.82
NOK	6.0791	6.1163
PKR	170.61	170.76
PHP	33.75	33.79
PGK	2.4785	2.4433
SEK	5.7678	5.8097
SGD	0.7755	0.7789
CNY	4.3435	4.3501
THB	19.71	19.76
TOP	1.4053	1.4170
VUV	72.56	72.78
WST	1.6484	1.6421
XPF	63.08	63.40
ZAR	10.6760	10.7153

NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	6.08	6.33
3 Months	19.10	19.50
6 Months	36.20	37.32
9 Months	50.12	52.18
1 Year	60.44	63.93

NZD/AUD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	5.05	5.58
3 Months	13.17	14.14
6 Months	20.75	23.44
9 Months	25.23	30.42
1 Year	26.98	36.00



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