

Research Markets Today

16 June 2025

Events Round-Up

NZ: Manufacturing PMI, May: 47.5 vs. 53.9 prev.
EC: Industrial Production SA (m/m%), Apr: -2.4 vs. -1.7 exp.
US: U. of Mich. Sentiment, Jun P: 60.5 vs. 53.6 exp.
US: U. of Mich. 5-10 Yr Inflation, Jun P: 4.1 vs. 4.1 exp.

Good morning

There was a risk-off tone across financial markets which began on Friday afternoon after Israel launched unilateral strikes against Iran's nuclear programme. The subsequent retaliation by Iran further escalated the conflict. The S&P declined 1%, after recovering off the session low, on hopes of a de-escalation via diplomatic channels. However, the US-Iran meeting in the weekend was cancelled, and with no sign of a let-up in hostilities, risk sensitive assets face a challenging start to the trading week. Gold prices advanced above US\$3430 pre ounce.

Israel's pre-emptive strike led to the biggest jump in oil prices since Russia launched its invasion of Ukraine. Prices already incorporated some geopolitical risk premium. The US had previously signalled an attack by Israel on Iran was possible by allowing dependants of military officials in the Middle East to depart. Brent crude futures for August delivery traded above US\$78 per barrel before closing near US\$75, a gain of more than 8%. Traders are concerned about supply disruptions through the Strait of Hormuz where a quarter of global oil supply passes.

US treasury yields dipped initially. 10-year yields retested the base of the range near 4.30% before rebounding. Some of the retracement higher was attributed to the inflationary impact of the conflict with market-derived expectations spiking higher. When news of the Israeli strikes was first announced, the market priced in additional Fed easing but this subsequently unwound. 10-year yields ended the week at 4.40%, 4bp higher on the day. The market looks ahead to the US\$13 billion auction of 20-year treasuries overnight.

There was diminished focus on the economic data given the geopolitical backdrop. The Michigan consumer sentiment index rose to 60.5 in June, well above consensus estimates, and up from 52.2 in May. The rise was consistent with a perceived easing of pressures from tariffs. However, the survey has a very low response rate

since moving to an online format and remains weaker than other measures. Five-to-ten year ahead inflation expectations edged down to 4.1%, from 4.2%.

The US dollar is broadly stronger against G10 currencies since news of the conflict escalation surfaced. However, oil sensitive currencies like the Norwegian krone and Canadian dollar outperformed within the G10. The US dollar retraced from session highs as equities recovered. The NZD and AUD came under pressure amid the rise in risk aversion. NZD/USD dipped below 0.6000 in European trading, but made a decent recovery towards 0.6040, before closing around 0.6020.

The NZ manufacturing PMI declined sharply to 47.5 from 53.9 in April. This was the largest single month decline in the 20-year history of the survey. The PMI new orders index was particularly weak at 45.3 and the employment index declined abruptly from 54.6 to 45.7. While we anticipate a gradual economic recovery through 2025, higher frequency indicators are pointing to headwinds for activity in the June quarter.

NZ fixed income yields ended the local session on Friday lower in yield reflecting the risk off tone. Swap rates closed 3-4bp lower across the curve, though notably off the session lows, despite the very weak PMI data. 2-year yields traded to 3.23% but closed at 3.26% with similar price action seen further out the curve. 10-year swap rates ended 3bp lower at 4.09%.

The government curve matched the move in swaps. 10-year government bonds closed at 4.62%, 4bp lower, leaving asset swap spreads stable near +45bp. Australian 10-year government bond futures are ~6bp higher in yield terms since the local close on Friday, and combined with the move in US treasuries, suggest an upward bias for NZ yields on the open.

The domestic focus today will centre on the services PMI coming after the sharp drop in the manufacturing series. China's monthly activity data for May are unlikely to show a growth lift from the de-escalation in trade tensions with the US. Sluggish sentiment remains a drag on spending and slower-than-expected export growth suggests lower tariffs will take more time to affect production. The US Empire manufacturing survey is released this evening.

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Coming Up

		Period	Cons.	Prev.	NZT
NZ	Performance Services Index	May	48.5	10:30	
CH	Retail Sales (y/y%)	May	4.9	5.1	14:00
CH	Industrial Production (y/y%)	May	6	6.1	14:00
CH	Fixed Assets Ex Rural YTD (y/y%)	May	4	4	14:00
US	Empire Manufacturing	Jun	-7	-9.2	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	0.6018	-0.8	0.5995	0.6042	CHF	0.8114	+0.1	S&P 500	5,977	-1.1	10.0	Oil (Brent)	74.23	+7.0
AUD	0.6489	-0.7	0.6462	0.6520	SEK	9.484	+0.4	Dow	42,198	-1.8	9.4	Oil (WTI)	72.98	+7.3
EUR	1.1551	-0.3	1.1489	1.1570	NOK	9.911	-0.3	Nasdaq	19,407	-1.3	9.7	Gold	3431.2	+1.5
GBP	1.3573	-0.3	1.3517	1.3603	HKD	7.850	+0.0	Stoxx 50	5,290	-1.3	9.3	HRC steel	862.0	+0.0
JPY	144.11	+0.4	143.54	144.48	CNY	7.183	+0.1	FTSE	8,851	-0.4	8.6	CRB	309.9	+2.4
CAD	1.3584	-0.1			SGD	1.282	+0.3	DAX	23,516	-1.1	30.6	Wheat Chic.	559.3	+3.2
NZD/AUD	0.9273	-0.2			IDR	16,304	+0.4	CAC 40	7,685	-1.0	2.4	Sugar	16.13	-0.9
NZD/EUR	0.5210	-0.6			THB	32.40	+0.1	Nikkei	37,834	-0.9	-2.5	Cotton	65.36	+0.3
NZD/GBP	0.4434	-0.7			KRW	1,363	+0.5	Shanghai	3,377	-0.8	11.4	Coffee	346.0	+0.2
NZD/JPY	86.72	-0.5			TWD	29.55	+0.2	ASX 200	8,547	-0.2	10.7	WM powder	3875	-0.3
NZD/CAD	0.8174	-0.9			PHP	56.18	+0.7	NZX 50	12,553	-0.8	5.8	Australian Futures		
NZ TWI	69.60	-0.6						VIX Index	20.82	+15.5	+64.5	3 year bond	96.69	0.06
Interest Rates												10 year bond 95.78 -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	3.71	3.86	USD	4.40	0.04	15-Apr-27	3.41	-0.01	BKBM 1-mth	3.35	0.00	
AUD	3.85	3.72	3.24	4.17	AUD	4.15	-0.08	15-May-28	3.59	-0.01	BKBM 3-mth	3.30	-0.01	
NZD	3.25	3.30	3.26	4.09	NZD	4.55	-0.02	20-Apr-29	3.75	-0.01	1 year	3.20	-0.01	
EUR	2.00	1.98	2.01	2.56	GER	2.54	0.06	15-May-30	3.92	-0.01	2 year	3.26	-0.03	
GBP	4.25	4.50	3.74	4.07	GBP	4.55	0.07	15-May-31	4.11	-0.01	3 year	3.38	-0.03	
JPY	0.48	-0.03	0.72	1.22	JPY	1.41	-0.04	15-May-32	4.26	-0.02	5 year	3.61	-0.04	
CAD	2.75	4.97	2.59	3.11	CAD	3.37	0.04	14-Apr-33	4.35	-0.02	7 year	3.83	-0.04	
								15-May-34	4.46	-0.02	10 year	4.09	-0.03	
								15-May-35	4.55	-0.02	15 year	4.35	-0.03	
								15-May-36	4.64	-0.02	NZ Inflation-Indexed Bonds			
								15-May-37	4.75	-0.02	Sep-30	2.13	0.01	
								15-May-41	5.02	-0.02	Sep-35	2.82	0.01	
								15-May-51	5.22	-0.02	Sep-40	3.21	0.01	
								15-May-54	5.27	-0.01				
* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer														
Rates at NY close														
Source: Bloomberg														

NZD exchange rates

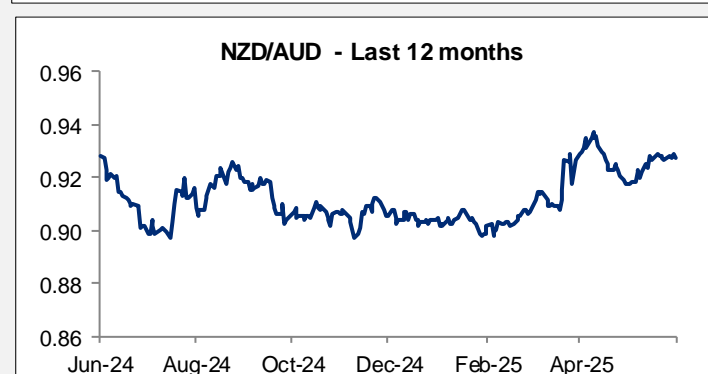
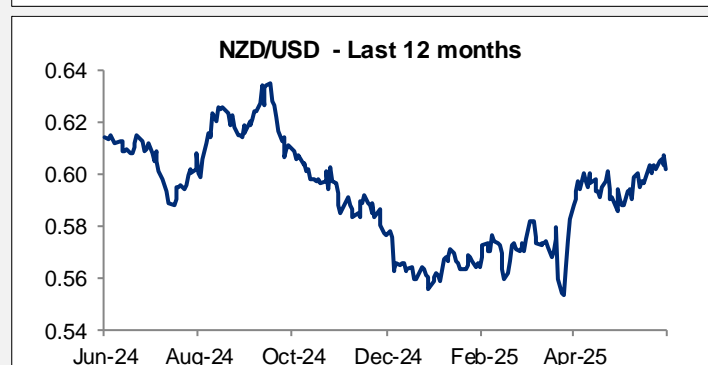
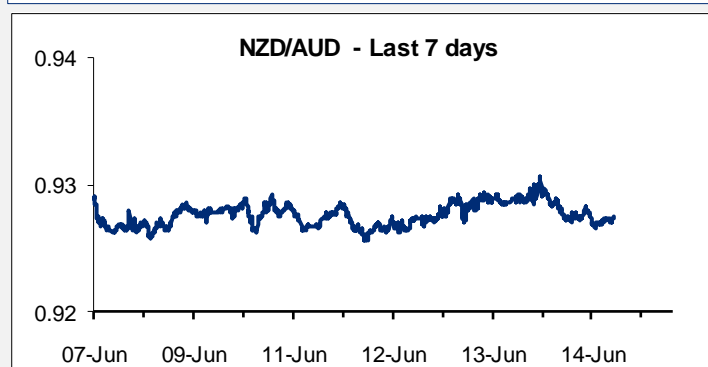
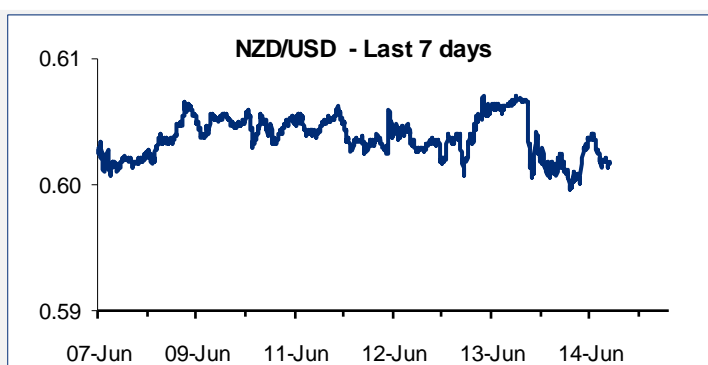
14/06/2025	NY close	Prev. NY close
USD	0.6018	0.6070
GBP	0.4434	0.4459
AUD	0.9273	0.9291
EUR	0.5210	0.5240
JPY	86.72	87.09
CAD	0.8174	0.8258
CHF	0.4881	0.4918
DKK	3.8846	3.9086
FJD	1.3523	1.3668
HKD	4.7215	4.7646
INR	51.78	51.96
NOK	5.9617	6.0315
PKR	170.12	171.58
PHP	33.79	33.92
PGK	2.4521	2.4735
SEK	5.7048	5.7347
SGD	0.7713	0.7763
CNY	4.3207	4.3538
THB	19.51	19.71
TOP	1.3962	1.4179
VUV	72.04	72.99
WST	1.6459	1.6605
XPF	62.37	62.84
ZAR	10.7942	10.7900

NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	5.69	6.08
3 Months	18.30	18.80
6 Months	35.06	37.06
9 Months	49.06	52.14
1 Year	59.95	63.74

NZD/AUD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	4.58	5.40
3 Months	12.17	13.18
6 Months	19.23	23.13
9 Months	23.67	29.53
1 Year	25.82	34.69



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