

Research Markets Today

17 July 2025

Events Round-Up

UK: CPI (y/y%), Jun: 3.6 vs. 3.4 exp.

UK: CPI core (y/y%), Jun: 3.7 vs. 3.5 exp.

UK: CPI services (y/y%), Jun: 4.7 vs. 4.5 exp.

US: PPI ex food, energy (m/m%), Jun: 0.0 vs. 0.2 exp.

US: PPI ex food, energy (y/y%), Jun: 2.6 vs. 2.7 exp.

US: Industrial production (m/m%), Jun: 0.3 vs. 0.1 exp.

Good Morning

There was a bit of intraday volatility when government officials suggested President Trump had expressed support for the idea of firing Fed Chair Powell at a discussion with Republican lawmakers. This saw weaker equities, lower Treasury yields and a weaker USD. However, less than an hour after the media had caught onto this story, Trump said he was not planning on doing anything, "I don't rule out anything, but I think it's highly unlikely. Unless he has to leave for fraud." Trump said he had spoken to lawmakers about the concept of firing him and asked what they thought, "Almost all of them said I should. But I'm more conservative than they are". Markets subsequently reversed course.

On tariffs, Trump said he would send letters to more than 150 countries notifying them of new tariff rates, "it's all going to be the same for that group", a group of smaller countries with which the US doesn't do much business.

Bloomberg reported that Trump has softened his tone with China in an effort to secure a summit with President Xi and a trade deal, noting the warming posture contrasts with his threats against other trading partners regarding tariffs. Sources said that in meetings with staff, Trump is often the least hawkish voice in the room, regarding discussions about China. This story fits with the recent relaxation of export controls that will allow Nvidia to sell its less-advanced H20 AI chip to China. Furthermore, a source noted plans to extend the trade war truce with China for another three months, beyond the current 12 August deadline when tariffs on China are due to return to 145%.

In economic data, US PPI inflation figures were weaker than market expectations, with the core figure flat and the annual increase slipping to 2.6% y/y. As the CPI data showed, higher tariffs are feeding into higher goods price inflation. But for the PPI, a chunky fall in travel-related

services was an offsetting factor. The release of the CPI and PPI reports has led analysts to estimate that the core PCE deflator, due 1-August, will probably rise 0.3% m/m, leaving the annual increase at 2.7%, with further upside later this year as higher tariffs continue to pass through.

The softer PPI data came as some relief to the market, seeing a reversal of yesterday's upward move in rates, although mainly at the short end, with the Treasuries curve notably steeper. The 2-year rate is currently down 6bps to 3.88%, the 10-year rate is down 3bps to 4.45%, while the 30-year rate is barely lower, at 5.01%.

The Fed's Beige Book survey showed US economic activity increased slightly between late May and early July. The report also noted all 12 regions of the country reported price increases, with businesses experiencing modest to pronounced input cost pressures related to tariffs. Many firms passed on at least a portion of cost increases to consumers through price hikes or surcharges, although some held off raising prices because of customers' growing price sensitivity, resulting in compressed profit margins.

UK CPI inflation data were two-tenths stronger than consensus across the board with annual headline and core inflation rising to 3.6% and 3.7% respectively, and the services CPI remaining steady at 4.7%. The data didn't have much impact on expectations for BoE easing this year, with an August rate cut still highly priced as well as a follow-up move in November, with expectations that inflation will fall later this year. But UK gilt yields are slightly higher on a day in which European and US rates are lower. There was no sustained reaction in GBP.

Net currency movements for the day against the USD have been small. JPY has been the biggest mover, bouncing back after yesterday's underperformance. USD/JPY is back below 148 and NZD/JPY is back below 88. The volatility around speculation of Fed Chair Powell's future saw whippy trading in the NZD. The currency was already on the back foot, trading below 0.5915 overnight and bounced up to 0.5970, before settling close to 0.5940, back to where it was this time yesterday.

Apart from the notable fall in NZD/JPY, other NZD cross movements have been modest, although all to the downside. Of note, NZD/EUR slipped below 0.51 overnight and currently sits just above the figure. NZD/AUD took a peek below 0.91 and currently sits just above the figure. NZ rates showed little net movement yesterday, against a

backdrop of higher global rates, resulting in some cross market outperformance, which would explain the slightly softer NZD performance.

US equities are up modestly, bouncing back strongly after the S&P500 was down as much as 0.7% at its low, during the kerfuffle around speculation of Trump firing Powell. The Euro Stoxx 600 index closed down 0.6%.

On the calendar today, monthly NZ inflation figures will help firm up our Q2 CPI estimate, which currently sits at a chunky 0.8% q/q, adding to the trend of higher inflation pressure. Australia's employment report is released this afternoon. Tonight sees the release of UK labour market data and US retail sales.

jason.k.wong@bnz.co.nz

Coming Up

	Period	Cons.	Prev.	NZT
US	Fed's Williams speaks on economic outlook, policy			09:30
NZ	Monthly CPI pricing indicators	Jun		10:45
AU	Employment change (k)	Jun	20 -2.5	13:30
AU	Unemployment rate (%)	Jun	4.1 4.1	13:30
UK	Pvte earnings x bonus (3m/y/y%)	May	4.8 5.1	18:00
UK	Unemployment rate (%)	May	4.6 4.6	18:00
US	Retail sales (m/m%)	Jun	0.1 -0.9	00:30
US	Retail sales ex auto, gas (m/m%)	Jun	0.3 -0.1	00:30
US	Retail sales control group	Jun	0.3 0.4	00:30
US	Initial jobless claims (k)	12-Jul	234 227	00:30
US	Philly Fed business outlook	Jul	-1 -4	00:30
US	NAHB housing market index	Jul	33 32	02:00

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	0.5938	-0.1	0.5913	0.5970	CHF	0.8016	-0.0	S&P 500	6,258	+0.2	10.4	Oil (Brent)	68.64	-0.1	
AUD	0.6520	+0.1	0.6495	0.6554	SEK	9.735	+0.1	Dow	44,225	+0.5	8.0	Oil (WTI)	66.48	-0.1	
EUR	1.1629	+0.3	1.1563	1.1721	NOK	10.258	+0.0	Nasdaq	20,717	+0.2	11.9	Gold	3359.6	+0.7	
GBP	1.3407	+0.2	1.3365	1.3486	HKD	7.850	+0.0	Stoxx 50	5,298	-1.0	7.1	HRC steel	873.0	-0.9	
JPY	147.91	-0.7	146.92	148.93	CNY	7.179	-0.1	FTSE	8,927	-0.1	9.3	CRB	302.7	-0.2	
CAD	1.3701	-0.2			SGD	1.283	-0.2	DAX	24,009	-0.2	29.7	Wheat Chic.	562.5	+0.7	
NZD/AUD	0.9107	-0.2			IDR	16,287	+0.1	CAC 40	7,722	-0.6	1.9	Sugar	16.56	+0.0	
NZD/EUR	0.5106	-0.4			THB	32.46	-0.3	Nikkei	39,663	-0.0	-3.5	Cotton	66.95	-0.4	
NZD/GBP	0.4429	-0.3			KRW	1,388	+0.0	Shanghai	3,504	-0.0	18.3	Coffee	308.5	+3.7	
NZD/JPY	87.83	-0.8			TWD	29.42	+0.5	ASX 200	8,562	-0.8	6.3	WM powder	3770	+0.1	
NZD/CAD	0.8136	-0.3			PHP	57.08	+0.7	NZX 50	12,755	+0.5	3.8	Australian Futures			
NZ TWI	68.64	-0.2						VIX Index	17.05	-1.9	+29.3	3 year bond	96.49	-0.01	
Interest Rates											10 year bond			95.59	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	3.89	USD	4.45	-0.03	15-Apr-27	3.25	-0.01	BKBM 1-mth	3.36	0.00		
AUD	3.85	3.72	3.34	4.26	AUD	4.40	0.02	15-May-28	3.48	-0.01	BKBM 3-mth	3.27	0.00		
NZD	3.25	3.27	3.17	4.12	NZD	4.59	0.01	20-Apr-29	3.67	-0.00	1 year	3.13	-0.00		
EUR	2.00	2.04	2.00	2.66	GER	2.69	-0.03	15-May-30	3.87	-0.00	2 year	3.17	-0.00		
GBP	4.25	4.41	3.65	4.12	GBP	4.64	0.01	15-May-31	4.08	0.00	3 year	3.30	-0.00		
JPY	0.48	-0.03	0.77	1.35	JPY	1.59	0.00	15-May-32	4.26	0.01	5 year	3.58	0.00		
CAD	2.75	4.97	2.67	3.27	CAD	3.58	-0.02	14-Apr-33	4.37	0.01	7 year	3.83	0.00		
						Policy Meeting Run		15-May-34	4.48	0.01	10 year	4.12	0.01		
						NZD AUD USD		15-May-35	4.59	0.01	15 year	4.40	0.01		
						1st 3.06 3.61 4.32		15-May-36	4.68	0.00	NZ Inflation-Indexed Bonds				
						2nd 3.01 3.55 4.18		15-May-37	4.80	0.00	Sep-30	2.06	0.00		
						3rd 2.91 3.38 4.04		15-May-41	5.06	0.01	Sep-35	2.75	-0.00		
						4th 2.85 3.29 3.86		15-May-54	5.26	0.01	Sep-40	3.15	0.00		
						5th 2.84 3.18 3.75			5.29	0.00					
* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer															
Rates are as of: NZT 06:56															
Source: Bloomberg															

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NZD exchange rates

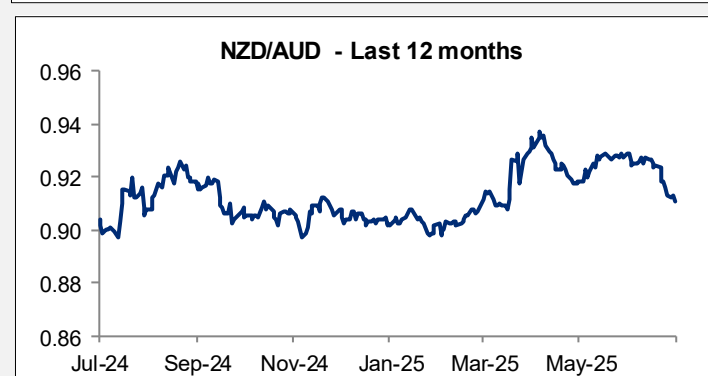
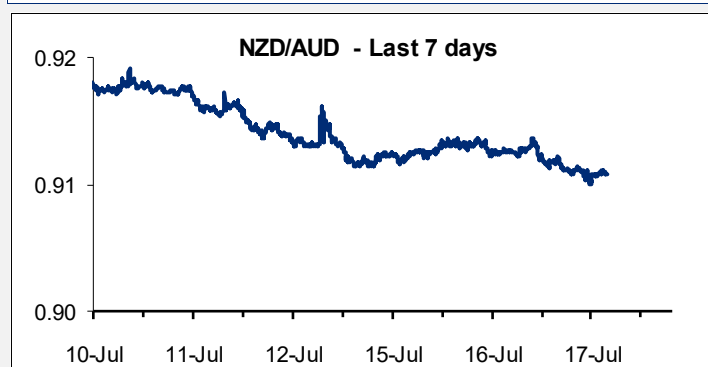
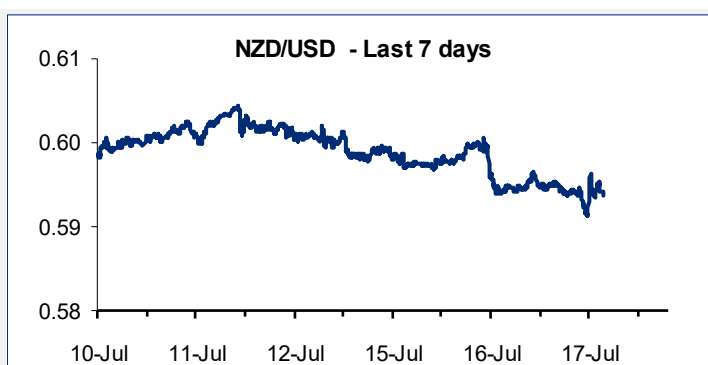
17/07/2025 6:56 am		Prev. NY close
USD	0.5938	0.5946
GBP	0.4429	0.4443
AUD	0.9107	0.9128
EUR	0.5106	0.5125
JPY	87.83	88.52
CAD	0.8136	0.8160
CHF	0.4758	0.4767
DKK	3.8109	3.8254
FJD	1.3398	1.3462
HKD	4.6645	4.6676
INR	51.07	51.03
NOK	6.0903	6.0993
PKR	169.32	169.27
PHP	33.92	33.72
PGK	2.4544	2.4530
SEK	5.7779	5.7827
SGD	0.7623	0.7642
CNY	4.2655	4.2707
THB	19.33	19.27
TOP	1.3857	1.3860
VUV	71.32	71.22
WST	1.6289	1.6307
XPF	60.79	60.93
ZAR	10.5879	10.6594

NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	5.67	5.87
3 Months	18.88	19.28
6 Months	35.81	36.81
9 Months	49.34	51.59
1 Year	59.44	62.46

NZD/AUD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	4.53	4.99
3 Months	13.91	15.00
6 Months	24.17	26.95
9 Months	31.71	37.41
1 Year	40.03	47.71



Contact Details

BNZ Research

Stephen Toplis
Head of Research

Doug Steel
Senior Economist

Jason Wong
Senior Markets Strategist

Stuart Ritson
Senior Interest Rate Strategist

Matt Brunt
Economist

Mike Jones
BNZ Chief Economist
+64 9-956 0795

Main Offices

Wellington
Level 2, BNZ Place
1 Whitmore Street
Wellington Mail Centre
Lower Hutt 5045
New Zealand
Toll Free: 0800 283 269

Auckland
80 Queen Street
Private Bag 92208
Auckland 1142
New Zealand
Toll Free: 0800 283 269

Christchurch
111 Cashel Street
Christchurch 8011
New Zealand
Toll Free: 0800 854 854

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