

Research Markets Today

18 July 2025

Events Round-Up

AU: Employment change (k), Jun: 2 vs. 20 exp.
 AU: Unemployment rate (%), Jun: 4.3 vs. 4.1 exp.
 UK: Pvt earnings x bonus (3m/y/y%), May: 4.9 vs. 4.8 exp.
 UK: Unemployment rate (%), May: 4.7 vs. 4.6 exp.
 US: Retail sales (m/m%), Jun: 0.6 vs. 0.1 exp.
 US: Retail sales ex auto, gas (m/m%), Jun: 0.6 vs. 0.3 exp.
 US: Retail sales control group, Jun: 0.5 vs. 0.3 exp.
 US: Initial jobless claims (k), wk to 12-Jul: 221 vs. 234 exp.
 US: Philly Fed business outlook, Jul: 15.9 vs. -1 exp.
 US: NAHB housing market index, Jul: 33 vs. 33 exp.

Good Morning

Stronger than expected US economic data have supported US equity markets and the USD, without doing any harm to Treasuries.

US retail sales figures were stronger across the board, with the headline index rising 0.6% against an expected gain of 0.1%. Stronger auto sales inflated the result, but even excluding these, core sales were robust. The data are in nominal terms, so includes the impact higher inflation, but the market still saw the data as conveying a picture of robust spending, despite policy uncertainty and high mortgage rates.

The buoyant retail sales data were backed up by initial jobless claims falling for a fifth consecutive week last week, down 7k to a three-month low of 221k, providing some comfort that the labour market remains resilient. Continuing claims, which are delayed by a week, rose by only 2k. The Philadelphia Fed business outlook index rose to a 5-month high of 15.9, the second regional Fed survey showing higher confidence, after the Empire survey released earlier this week. Pricing indicators intensified with signs of current and expected price increases becoming more widespread.

The stronger US data supported US equities, which continue to probe record levels. The S&P500 is currently up 0.6%, with stronger gains for the Nasdaq and Russell 2000. The stronger data only caused a temporary lift in US rates and net changes in Treasury yields have been small. The 2-year rate is currently up 2bps to 3.91% while the 10-

year rate is unchanged for the day at 4.46%, and down a couple of basis points from the NZ close.

Kevin Warsh, a frontrunner to replace Fed Chair Powell next year, gave some market-friendly comments in an CNBC interview as he argued that the independent conduct of monetary policy is essential. He reiterated his view that the Fed could cut interest rates if it paired those reductions with plans to significantly shrink the central bank's balance sheet, "there needs to be an exit plan to get the Fed out of fiscal business".

The UK unemployment rate rose to 4.7% for the three months through May, a four-year high, consistent with a cooling labour market. There were also signs of moderating wage inflation, with the key private sector figure excluding bonuses up 4.9% y/y, the lowest rate since early 2022. The data provided support to the widely held view that the BoE would cut its policy rate by 25bps at its next meeting in August, although for a second day, UK-global rate spreads widened, providing some support for GBP.

The USD has continued its recovery through July, with dollar indices up 0.3-0.5% for the day on broad-based gains. GBP has managed to keep pace with the USD overnight, but other European currencies are at the other end of the leaderboard. The NZD has largely tracked sideways overnight, finding some support just below 0.5910 and currently 0.5925, slightly weaker than this time yesterday. NZD/EUR has recovered a little after probing sub-0.51 levels. NZD/JPY has pushed above 88.

The AUD weakened after yesterday's Australian labour market report, which was weaker than expected, with flat employment and a two-tenths lift in the unemployment rate to 4.3%. The data reinforced market expectations that the RBA would cut 25bps at its next meeting in August, following its shock decision earlier this month to keep policy steady. The AUD has sustained a fall below 0.65 and NZD/AUD recovered to 0.9155 before easing to just below 0.9140.

In the domestic rates market, there was some intraday movement, with global forces putting downward pressure on rates and the bond tender to contend with, and the net result was NZGB rates closing the day flat at the short end and 2bps lower at the very long end. Against a backdrop of lower Australian rates, NZ swap rates closed unchanged

On the calendar today, Japan CPI data will be released, while there are only second-tier releases tonight, including US housing starts, building permits and the University of Michigan consumer survey.

jason.k.wong@bnz.co.nz

Coming Up

		Period	Cons.	Prev.	NZT
JN	CPI (y/y%)	Jun	3.3	3.5	11:30
JN	CPI x fresh food, energy (y/y%)	Jun	3.3	3.3	11:30
US	Housing starts	Jun	1295	1256	00:30
US	Building permits	Jun	1387	1394	00:30
US	U. of Mich. consumer sentiment	Jul	61.5	60.7	02:00
US	U. of Mich. 5-10yr inflation exp.	Jul	3.9	4.0	02:00

Source: Bloomberg, BNZ

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NZD exchange rates

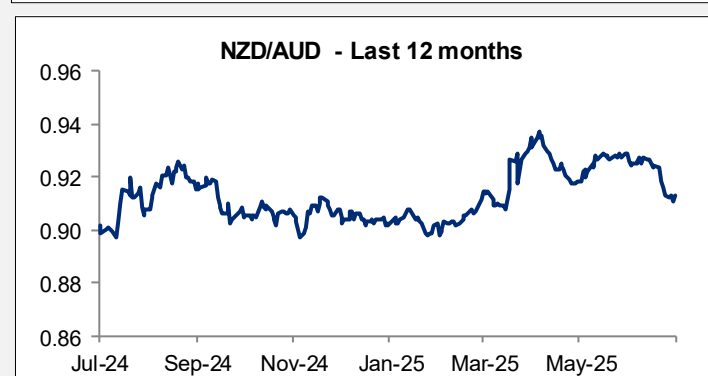
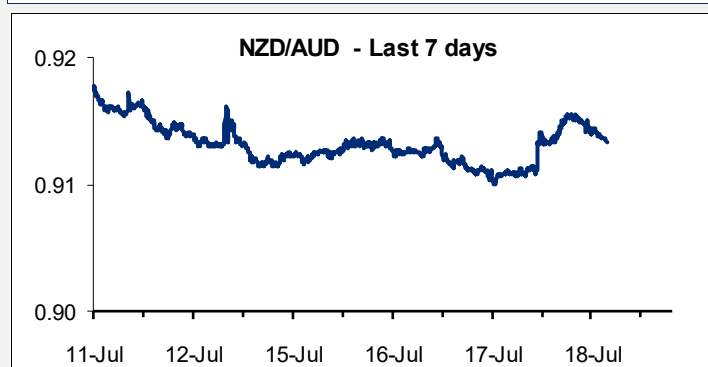
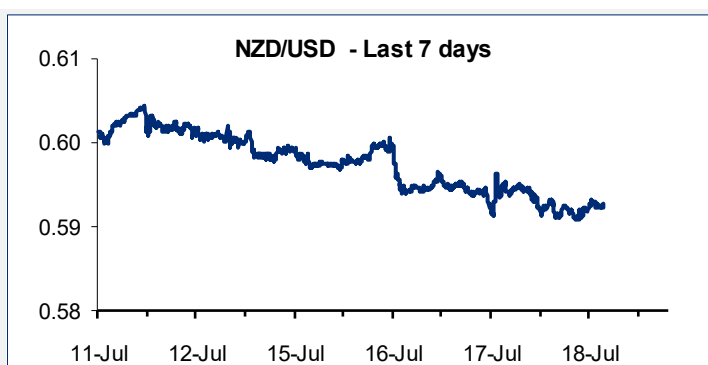
18/07/2025	6:55 am	Prev. NY close
USD	0.5924	0.5947
GBP	0.4419	0.4431
AUD	0.9134	0.9110
EUR	0.5114	0.5109
JPY	88.10	87.94
CAD	0.8148	0.8137
CHF	0.4774	0.4762
DKK	3.8172	3.8132
FJD	1.3412	1.3406
HKD	4.6497	4.6682
INR	50.99	51.11
NOK	6.1101	6.0936
PKR	168.77	169.30
PHP	33.92	33.95
PGK	2.4072	2.4175
SEK	5.7815	5.7763
SGD	0.7621	0.7628
CNY	4.2546	4.2691
THB	19.26	19.35
TOP	1.3825	1.4026
VUV	71.11	71.49
WST	1.6100	1.6251
XPF	60.75	60.88
ZAR	10.5781	10.5956

NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	5.52	5.69
3 Months	18.17	18.57
6 Months	35.17	36.16
9 Months	49.03	51.03
1 Year	60.05	63.05

NZD/AUD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	4.11	4.52
3 Months	12.53	13.50
6 Months	20.60	23.18
9 Months	26.17	31.28
1 Year	32.34	39.95



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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