

Research Markets Today

18 June 2025

Events Round-Up

JN: BoJ target rate (%), Jun: 0.5 vs. 0.5 exp.

US: Retail sales (m/m%), May: -0.9 vs. -0.6 exp.

US: Retail sales ex auto, gas (m/m%), May: -0.1 vs. 0.3 exp.

US: Retail sales control grp (m/m%), May: 0.4 vs. 0.3 exp.

US: Industrial production (m/m%), May: -0.2 vs. 0.0 exp.

US: NAHB housing market index, Jun: 32 vs. 36 exp.

Good Morning

Risk sentiment is weaker as the US has become more involved in the Israel-Iran conflict. Global equities are weaker, US Treasury yields are slightly lower, and the USD is broadly stronger, with the NZD falling towards 0.60.

Yesterday, President Trump cut short his appearance at the G7 leaders' summit, dashing back to Washington DC to focus on "what's going on in the Middle East". Earlier, Trump posted on social media that "Everyone should evacuate Tehran!". The White House said the US wasn't joining Israel's attacks on Iran, pushing back on online speculation that the Trump administration was planning to participate in airstrikes. Meanwhile the US continued to build up its military presence in the region, redeploying aircraft and ships towards the area.

Updating the developing situation overnight, President Trump has been active on social media, teasing Iran about America's superior defensive equipment "Nobody does it better than the good ol' USA". He said he knows the whereabouts of Iran's supreme leader "We are not going to take him out (kill!), at least not for now". And he also messaged "UNCONDITIONAL SURRENDER". Israel's defence minister said Israel will attack very significant targets in Tehran and warned residents to evacuate.

With the market concerned about the chance of direct US involvement, a step-up from Trump's verbal intervention so far, investors have taken a cautious stance. In the last hour or two, Iran has warned it would launch "punitive" action against Israel, calling Israelis to evacuate Haifa and Tel Aviv immediately. Trump is currently meeting his national security team.

US equities have spent the entire session in negative territory, with the loss in the S&P500 extended to 0.9% as we go to print. The Euro Stoxx 600 index closed down

0.9%. US Treasury yields are lower across the curve with a flattening bias. The 10-year rate is down 5bps for the day to 4.39%. Oil prices are higher, with Brent crude currently up over 4½% to USD76.50 per barrel.

US economic data released overnight were weaker than expected and only had a passing impact on the market, with more focus on Middle East developments. Retail sales fell for a second month, down 0.9% m/m in May as lower auto sales dragged down the headline figure – a reversal of prior front-loaded tariff-related gains – but even the ex-auto sales and gas figure fell 0.1% m/m. Of some consolation, the control group measure – which feeds into GDP calculations – was a touch stronger than expected at 0.4% m/m. Meanwhile, industrial production fell 0.2% m/m while the NAHB housing index, a measure of homebuilders' sentiment, fell to its lowest level since the end of 2022, with rising inventories and home buyers waiting for improved affordability.

The BoJ's policy update didn't surprise, with the policy rate unchanged at 0.5% and a plan to decrease its monthly bond purchases from April 2026 to a quarterly pace of 200 billion yen (from 400 billion). The market continues to see only a modest chance of the BoJ tightening policy again this year. On a separate topic, the US and Japan failed to reach an agreement on a trade deal on the sidelines of the G7 leaders' summit.

In currency markets, the USD is broadly stronger with dollar indices up between 0.6-0.8%, probably due to some speculative short positions being closed as Middle East tensions escalate. NZD/USD has fallen 0.8% for the day to around 0.6010, with limited movement on the crosses. GBP has been the weakest of the majors, and NZD/GBP has pushed up to 0.4475. NZD/AUD has pushed up towards 0.93. NZD/EUR is down slightly at 0.5235 and NZD/JPY has pushed down to 87.3.

In the overnight GDT dairy auction, the price index fell for a third successive fortnight, edging down 1.0%. Whole milk powder fell 2.1% and skim milk powder fell 1.3%. Cheddar and butter showed price gains of 5.1% and 1.4% respectively.

The domestic rates market had an uneventful session, with NZGB yields marked down 1-2bps across the curve. Both the 2 and 10-year swap rates were marked down 1bp, to 3.29% and 4.15% respectively. NZ monthly inflation data released for May were stronger than expected, leading us

to revise up our Q2 CPI estimate to 0.8% q/q and 2.9% y/y. Adding in the recent lift in oil prices, we now see inflation with a 3-handle over the second half of the year, which can only add upside pressure to inflation expectations and raises the chance of the RBNZ pausing the easing cycle in July. Market expectations didn't budge, continuing to see only a modest chance of a July rate cut, with around 5bps priced.

On the economic calendar, NZ consumer confidence and current account data are released today. The latter is expected to show the annual deficit continuing to narrow, falling below 6% of GDP for the first time since 2021. UK CPI inflation data are expected to show some moderation.

At 6am tomorrow, the Fed will be announcing the outcome of its latest policy meeting. While US inflation prints have recently been on the softer side of expectations and the unemployment rate has been steady at 4.2%, the Fed awaits the impact of higher tariffs on both variables, with high enough uncertainty to keep the central

bank on the sidelines. The Fed will want to keep its options open regarding the next easing in policy and will remain data dependent.

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Coming Up

		Period	Cons.	Prev.	NZT
NZ	Westpac consumer confidence	Q2		89.2	09:00
NZ	Current a/c balance (% of GDP)	Q1	-5.8	-6.2	10:45
UK	CPI (yoy%)	May	3.3	3.5	18:00
UK	CPI core (y/y%)	May	3.5	3.8	18:00
UK	CPI services (y/y%)	May	4.8	5.4	18:00
US	Housing starts (k)	May	1351	1361	00:30
US	Building permits (k)	May	1424	1422	00:30
US	Initial jobless claims (k)	14-Jun	245	248	00:30
US	Fed Funds rate (upper bd%)	Jun	4.5	4.5	06:00

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	0.6012	-0.8	0.6010	0.6080	CHF	0.8167	+0.3	S&P 500	5,981	-0.9	9.3	Oil (Brent)	76.60	+4.6		
AUD	0.6469	-0.8	0.6466	0.6542	SEK	9.548	+0.7	Dow	42,146	-0.9	8.7	Oil (WTI)	75.06	+4.6		
EUR	1.1481	-0.7	1.1475	1.1580	NOK	9.940	+0.3	Nasdaq	19,511	-1.0	9.3	Gold	3388.5	-0.2		
GBP	1.3438	-1.0	1.3429	1.3574	HKD	7.850	+0.0	Stoxx 50	5,289	-1.0	8.4	HRC steel	864.0	+0.0		
JPY	145.33	+0.4	144.41	145.37	CNY	7.187	+0.1	FTSE	8,834	-0.5	8.5	CRB	310.2	+0.1		
CAD	1.3649	+0.6			SGD	1.287	+0.5	DAX	23,435	-1.1	29.7	Wheat Chic.	565.8	+2.4		
NZD/AUD	0.9294	+0.1			IDR	16,290	+0.2	CAC 40	7,684	-0.8	1.5	Sugar	16.08	-2.7		
NZD/EUR	0.5236	-0.1			THB	32.63	+0.6	Nikkei	38,537	+0.6	0.1	Cotton	65.05	-0.5		
NZD/GBP	0.4474	+0.2			KRW	1,374	+1.1	Shanghai	3,387	-0.0	11.8	Coffee	332.5	-2.6		
NZD/JPY	87.37	-0.4			TWD	29.50	+0.3	ASX 200	8,541	-0.1	9.8	WM powder	3865	-0.6		
NZD/CAD	0.8206	-0.2			PHP	56.69	+0.5	NZX 50	12,639	-0.4	7.4	Australian Futures				
NZ TWI	69.62	-0.4						VIX Index	21.60	+13.0	+69.4	3 year bond	96.62	-0.03		
Interest Rates												10 year bond			95.74	0.02
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	3.87	USD	4.39	-0.05	15-Apr-27	3.42	-0.01	BKBM 1-mth	3.34	0.00			
AUD	3.85	3.71	3.25	4.14	AUD	4.26	0.02	15-May-28	3.62	-0.01	BKBM 3-mth	3.30	0.00			
NZD	3.25	3.30	3.29	4.15	NZD	4.61	-0.02	20-Apr-29	3.79	-0.01	1 year	3.21	-0.01			
EUR	2.00	2.00	2.01	2.56	GER	2.54	0.01	15-May-30	3.97	-0.01	2 year	3.29	-0.01			
GBP	4.25	4.49	3.71	4.05	GBP	4.55	0.02	15-May-31	4.16	-0.01	3 year	3.41	-0.00			
JPY	0.48	-0.03	0.71	1.22	JPY	1.47	0.03	15-May-32	4.31	-0.01	5 year	3.66	-0.01			
CAD	2.75	4.97	2.59	3.10	CAD	3.37	-0.03	14-Apr-33	4.41	-0.01	7 year	3.89	-0.01			
								15-May-34	4.51	-0.02	10 year	4.15	-0.01			
								15-May-35	4.61	-0.02	15 year	4.41	-0.02			
								15-May-36	4.70	-0.02	NZ Inflation-Indexed Bonds					
								15-May-37	4.81	-0.02	Sep-30	2.18	0.00			
								15-May-41	5.08	-0.02	Sep-35	2.88	0.00			
								15-May-51	5.28	-0.01	Sep-40	3.28	0.00			
								15-May-54	5.33	-0.02						
* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer																
Rates are as of: NZT 06:54																
Source: Bloomberg																

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NZD exchange rates

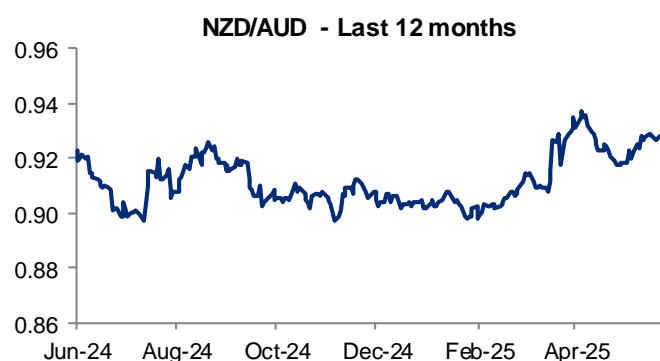
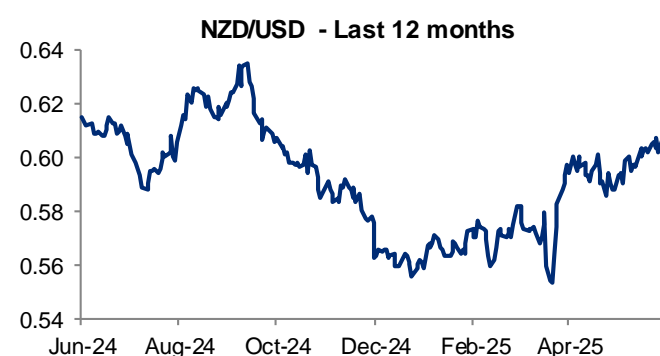
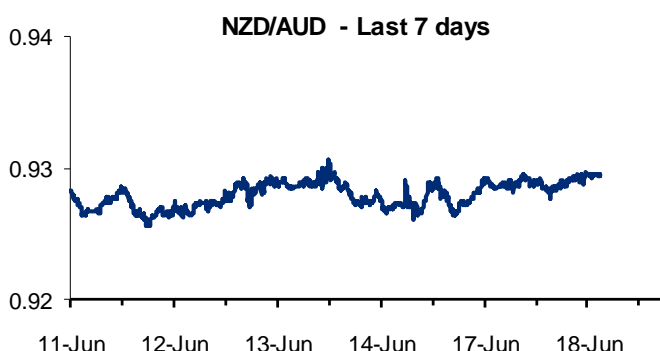
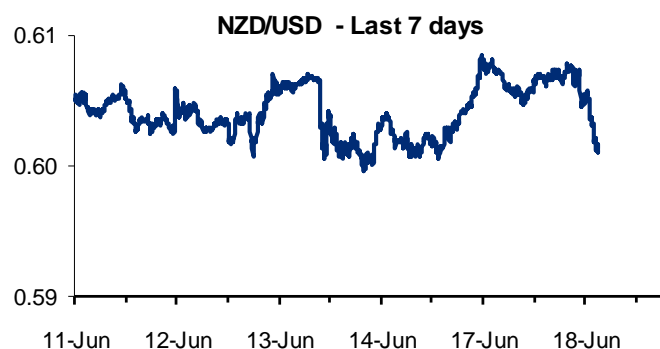
18/06/2025 6:55 am		Prev. NY close
USD	0.6012	0.6061
GBP	0.4474	0.4464
AUD	0.9294	0.9290
EUR	0.5236	0.5243
JPY	87.37	87.73
CAD	0.8206	0.8225
CHF	0.4910	0.4933
DKK	3.9059	3.9100
FJD	1.3513	1.3654
HKD	4.7193	4.7578
INR	51.85	52.16
NOK	5.9760	6.0092
PKR	170.37	171.63
PHP	34.08	34.20
PGK	2.4311	2.4499
SEK	5.7400	5.7483
SGD	0.7737	0.7759
CNY	4.3207	4.3519
THB	19.58	19.69
TOP	1.3955	1.4158
VUV	72.16	72.90
WST	1.6301	1.6666
XPF	62.52	62.81
ZAR	10.8349	10.7934

NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	5.66	6.08
3 Months	18.46	18.96
6 Months	35.81	36.80
9 Months	50.00	52.30
1 Year	60.62	63.93

NZD/AUD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	4.24	5.10
3 Months	11.57	12.72
6 Months	18.29	21.01
9 Months	21.94	27.49
1 Year	23.67	32.24



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