

# Research Markets Today

21 July 2025

## Events Round-Up

JN: CPI (y/y%), Jun: 3.3 vs. 3.3 exp.

JN: CPI x fresh food, energy (y/y%), Jun: 3.4 vs. 3.3 exp.

US: Housing starts (m/m%), Jun: 4.6 vs. 3.5 exp.

US: Building permits (m/m%), Jun: 0.2 vs. -0.5 exp.

US: U. of Mich. consumer sentiment, Jul: 61.8 vs. 61.5 exp.

US: U. of Mich. 5-10yr inflation exp., Jul: 3.6 vs. 3.9 exp.

## Good Morning

Markets closed last week on an uneventful note, with US equities remaining flat around record highs, slightly lower US Treasury yields and modest net moves in the currency market during the Friday night session.

Fed Governor Waller was in the spotlight on Friday, giving a speech outlining his dovish policy view and following up with a Bloomberg TV interview. In his speech he outlined why he thinks the Fed should cut rates by 25bps at the next meeting later this month. He thought the policy rate was currently 1.25-1.5% above neutral and policy should be close to neutral – based on GDP growth running well below trend and expected to remain that way through the rest of the year; private sector employment near stall speed and increased downside risks to the labour market; and believing tariffs do not cause inflation beyond a temporary surge, while inflation is close to target excluding tariff effects. In the TV interview, he hinted he would dissent if his colleagues voted to hold rates steady.

While Waller's view has historically been respected by the market, there is little buy-in on his current view and pricing continued to show a very low chance of any July rate cut, with the first full cut not priced until the October meeting. Treasury yields pushed lower, falling 2-4bps across the curve for the day, seeing the 10-year rate close the week at 4.42%, barely higher from the start of the week, continuing the range-trading backdrop.

US economic data releases continued their run of positive surprises for the week, with housing starts and permits slightly stronger than expected, even if consistent with a soggy housing market, while the University of Michigan survey showed a further lift in consumer sentiment. The inflation expectations indicators fell, with the year-ahead figure down six tenths to 4.4% and the 5-10-years ahead figure down fourth tenths to 3.6%.

Japan CPI inflation remained elevated and well above target, with headline and core rates between 3.3-3.4%. It's a backdrop against which the BoJ should be tightening policy, but tariff uncertainty and the Upper House elections have got in the way.

Against a backdrop of higher inflation, PM Ishiba's ruling LDP party and coalition partner Komeito lost their majority, with predicted results in yesterday's election giving them 45 of the contested seats, short of the 50 required to govern. While Ishiba has said he intends to stay on as PM, he could well be pushed aside. A period of political uncertainty will likely keep the BoJ on the sidelines and is negative for Japanese assets. Japan will be closed for a public holiday today and there will be some focus on how JPY trades when Asian markets open.

On tariffs, the FT reported that President Trump has escalated his demands in trade negotiations with the EU, pushing for a minimum tariff of 15%-20% in any deal with the bloc, according to sources. Trump has also been unmoved by the latest EU offer to reduce car tariffs, and would be happy to keep duties on the sector at 25% as planned. The report added EU trade commissioner Šefčovič gave a downbeat assessment of his recent talks in Washington to the bloc's ambassadors. Higher tariffs would raise the chance of EU retaliation.

US equities closed the week on a flat note, with indices continuing to hover around record high levels. European equities were also flat.

The USD was broadly weaker on Friday, but much of the move was during NZ trading hours, with small net movement in overnight trading. The NZD closed the week around 0.5960, after a brief look above 0.5990. The AUD closed the week just over 0.65 and NZD/AUD lifted a little to 0.9160. JPY was the weakest of the majors, ahead of Sunday's election, seeing NZD/JPY close the week at 88.8. The NZD showed small gains against GBP and EUR.

In the domestic rates market, NZGB yields closed up 2-3bps and swap rates were up 1-2bps, with further cross-market underperformance against Australia that followed Thursday's weaker Australian employment report.

On the economic calendar today, the domestic focus will be on the NZ Q2 CPI report, where the consensus sees inflation of 0.6 q/q% and 2.8% y/y and BNZ sees upside risk to those. Earlier this month, the RBNZ said it expected

inflation to increase towards the top end of the 1-3% target range over mid-2025, so in that regard higher inflation won't surprise, nor get in the way of further easing as long as the Bank continues to believe that the move is temporary.

Key releases in the week ahead include global PMIs and an ECB policy update, where policy rates are expected to remain on hold.

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## Coming Up

		Period	Cons.	Prev.	NZT
NZ	CPI (q/q%)	Q2	0.6	0.9	10:45
NZ	CPI (y/y%)	Q2	2.8	2.5	10:45
NZ	Trade balance (anb \$b)	Jun	-3.8		10:45

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	0.5961	+0.5	0.5953	0.5991	CHF	0.8013	-0.4	S&P 500	6,297	-0.0	14.4	Oil (Brent)	69.28	-0.3		
AUD	0.6507	+0.3	0.6503	0.6541	SEK	9.669	-0.9	Dow	44,342	-0.3	10.1	Oil (WTI)	67.34	-0.3		
EUR	1.1624	+0.3	1.1617	1.1672	NOK	10.189	-1.1	Nasdaq	20,896	+0.0	17.9	Gold	3358.3	+0.4		
GBP	1.3409	+0.0	1.3406	1.3475	HKD	7.848	-0.0	Stoxx 50	5,359	-0.3	11.0	HRC steel	875.0	+0.0		
JPY	148.84	+0.2	148.19	148.89	CNY	7.175	-0.1	FTSE	8,992	+0.2	10.3	CRB	306.1	+0.6		
CAD	1.3727	-0.2			SGD	1.285	-0.0	DAX	24,290	-0.3	33.7	Wheat Chic.	567.0	+2.3		
NZD/AUD	0.9161	+0.2			IDR	16,297	-0.3	CAC 40	7,823	+0.0	3.8	Sugar	16.82	+0.5		
NZD/EUR	0.5128	+0.3			THB	32.39	-0.3	Nikkei	39,819	-0.2	0.6	Cotton	67.12	-0.2		
NZD/GBP	0.4446	+0.6			KRW	1,392	-0.0	Shanghai	3,534	+0.5	18.5	Coffee	303.6	-1.2		
NZD/JPY	88.72	+0.8			TWD	29.39	-0.1	ASX 200	8,757	+1.4	9.9	WM powder	3805	-0.1		
NZD/CAD	0.8182	+0.3			PHP	57.19	-0.1	NZX 50	12,880	-0.2	4.5	Australian Futures				
NZ TWI	69.00	+0.4						VIX Index	16.41	-0.7	-0.7	3 year bond	96.60	0.02		
Interest Rates												10 year bond			95.62	-0.01
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	3.87	USD	4.42	-0.04	15-Apr-27	3.29	0.03	BKBM 1-mth	3.35	0.00			
AUD	3.85	3.69	3.26	4.24	AUD	4.34	-0.01	15-May-28	3.51	0.03	BKBM 3-mth	3.26	0.00			
NZD	3.25	3.26	3.20	4.14	NZD	4.60	0.02	20-Apr-29	3.69	0.03	1 year	3.15	0.01			
EUR	2.00	2.02	2.00	2.66	GER	2.70	0.02	15-May-30	3.89	0.03	2 year	3.20	0.02			
GBP	4.25	4.41	3.69	4.15	GBP	4.67	0.02	15-May-31	4.09	0.02	3 year	3.32	0.02			
JPY	0.48	-0.03	0.78	1.33	JPY	1.54	-0.03	15-May-32	4.26	0.02	5 year	3.60	0.02			
CAD	2.75	4.97	2.69	3.26	CAD	3.57	0.01	14-Apr-33	4.38	0.02	7 year	3.85	0.02			
						Policy Meeting Run			15-May-34	4.50	0.02	10 year	4.14	0.01		
									15-May-35	4.60	0.02	15 year	4.42	0.01		
									15-May-36	4.70	0.03	NZ Inflation-Indexed Bonds				
									15-May-37	4.82	0.03	Sep-30	2.04	0.01		
									15-May-41	5.08	0.03	Sep-35	2.73	0.01		
									15-May-51	5.27	0.03	Sep-40	3.13	0.01		
									15-May-54	5.30	0.03					
* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer																
Rates at NY close																
Source: Bloomberg																

**NZD exchange rates**

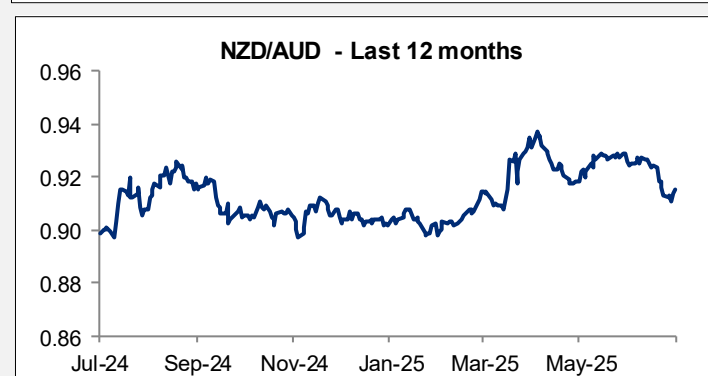
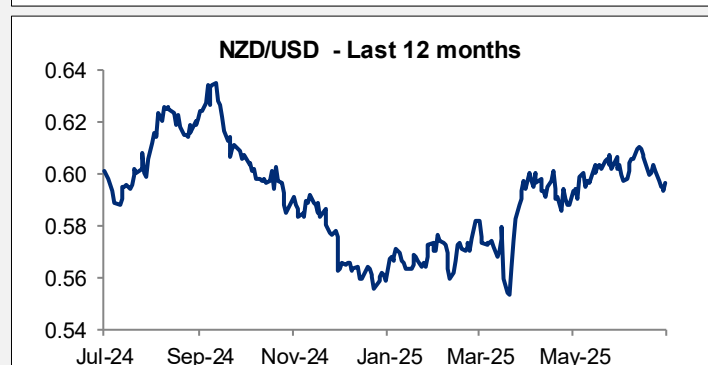
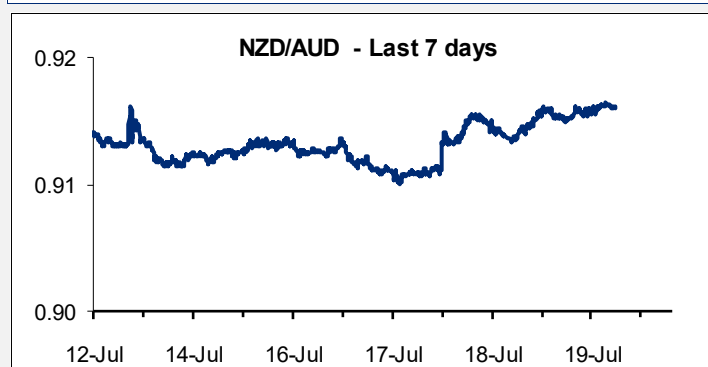
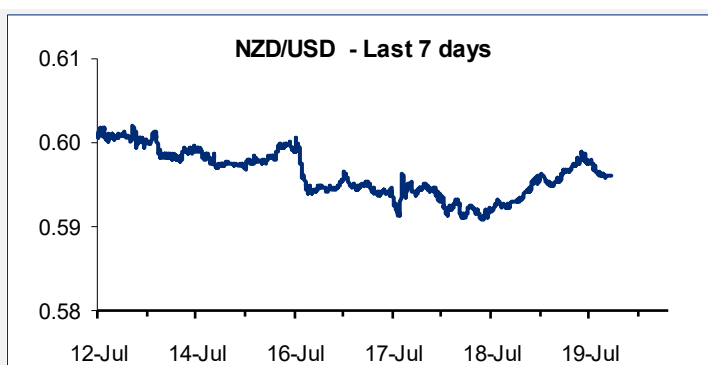
19/07/2025	NY close	Prev. NY close
USD	0.5961	0.5932
GBP	0.4446	0.4422
AUD	0.9161	0.9143
EUR	0.5128	0.5116
JPY	88.72	88.14
CAD	0.8182	0.8158
CHF	0.4777	0.4772
DKK	3.8283	3.8181
FJD	1.3407	1.3448
HKD	4.6787	4.6561
INR	51.37	51.06
NOK	6.0749	6.1097
PKR	169.89	168.87
PHP	34.08	33.96
PGK	2.4206	2.4104
SEK	5.7647	5.7868
SGD	0.7664	0.7628
CNY	4.2775	4.2602
THB	19.30	19.29
TOP	1.3920	1.3945
VUV	71.42	71.20
WST	1.6026	1.6153
XPF	61.09	60.80
ZAR	10.5619	10.5768

**NZD/USD Forward Points**

	BNZ buys NZD	BNZ sells NZD
1 Month	5.55	5.75
3 Months	18.08	18.59
6 Months	34.70	35.70
9 Months	47.76	49.91
1 Year	57.70	61.05

**NZD/AUD Forward Points**

	BNZ buys NZD	BNZ sells NZD
1 Month	4.12	4.58
3 Months	12.44	13.51
6 Months	20.36	22.77
9 Months	25.52	30.13
1 Year	30.02	38.53



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