

# Research Markets Today

23 July 2025

## Events Round-Up

NZ: Trade balance (an. \$b), Jun: -4.4 vs. -3.8 prev.

## Good morning

US equities recovered from a dip on the open and are little changed. The S&P is consolidating near record highs with limited economic data or other catalysts to provide direction. US Treasury Secretary Bessent said he will meet with Chinese officials next week, for a third round of trade talks, and he predicted several deals between now and the August 1 deadline. The US dollar is weaker against G10 currencies and treasury yields are lower.

The Treasury Secretary provided some supportive comments for Fed Chair Powell after ongoing pressure from President Trump to cut rates which has raised investor concerns about the central bank's independence. Bessent said there is no reason for the Fed Chair to step down and that Powell should be able to complete his term which ends next May.

Despite the lack of economic data or Fed speakers given the blackout period ahead of the July FOMC, US treasury yields declined 4bp across the curve with Bessent's comments about Powell providing support at the margin. 10-year yields dipped to 4.33%, extending the recent rally for a fifth consecutive day, and are now ~15bp below the highs from last week.

Japanese markets remain in focus for investors after Sunday's elections. Cash markets reopened after the public holiday on Monday. The Nikkei was little changed while the JGB curve steepened. Investors anticipate further fiscal expansion as Prime Minister Ishiba attempts to engage with disaffected voters. The 10y/30y JGB curve steepened.

Concerns about fiscal sustainability could contribute to further volatility in Japanese assets and investors will be closely monitoring the 40-year JGB auction today. Rising yields at the long end of the JGB curve, have contributed to record inflows from foreign investors for two consecutive quarters, despite the growing fiscal concerns. JGBs offer a decent yield pickup to US treasuries on a currency hedged basis.

Bloomberg have reported that Bank of Japan officials see little need to alter its monetary policy stance of gradually

increasing interest rates following the election. The central bank will be closely monitoring the impact on inflation if the government loosens fiscal policy considerably. The market is pricing around 15bp of tightening by the end of the year which has been stable over the past few months.

In currency markets, the US dollar extended its recent fall with the dollar index down ~0.5% relative to the local close yesterday. After gaining through much of July, the US dollar has reversed lower in recent sessions. The move lower was broad based against G10 currencies. The yen was the best performing major FX pairing.

After dipping below 0.5950 in early European trade, NZD/USD has moved steadily higher aligned with the weaker US dollar backdrop and peaked above 0.6000. Outside of the yen, where is little net change from the local close yesterday, the NZD has made marginal gains on the other major cross rates.

NZ fixed income yields declined in the local session yesterday, largely reflecting offshore moves, with no domestic data of note. 2-year swap rates were unchanged at 3.13% while 10-year rates closed 4bp lower at 4.07%. The flattening bias mirrored the moves in comparison markets and saw the 2y/10y swap curve retrace from the highest level in two months.

Government bonds lagged the move in swaps. 10-year bond yields declined 2bps to 4.55%. 10-year NZGB asset swap spreads have edged higher to + 49bp, to the wider end of the narrow +45bp to +50bp range, that has covered price action over the past two months. Australian 10-year government bond futures have declined by ~3bp in yield terms since the local close yesterday suggesting a downward bias for NZ yields on the open.

It is a quiet another quiet day ahead for economic data. There are no domestic releases and only second tier international data.

[stuart.ritson@bnz.co.nz](mailto:stuart.ritson@bnz.co.nz)

## Coming Up

		Period	Cons.	Prev.	NZT
EC	Consumer Confidence	Jul P	-15	-15.3	02:00
US	Existing Home Sales (m/m%)	Jun	-0.74	0.8	02:00

Source: Bloomberg, BNZ

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**NZD exchange rates**

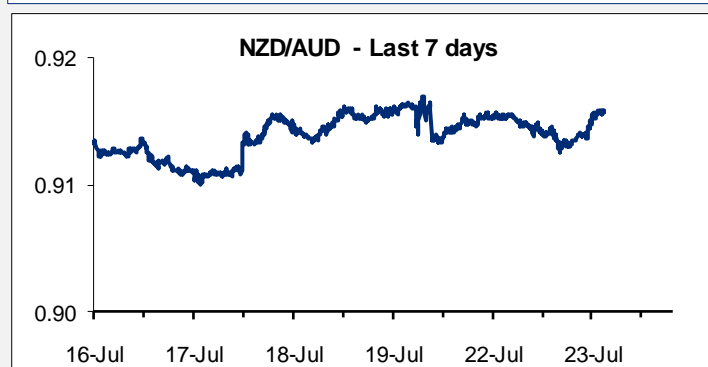
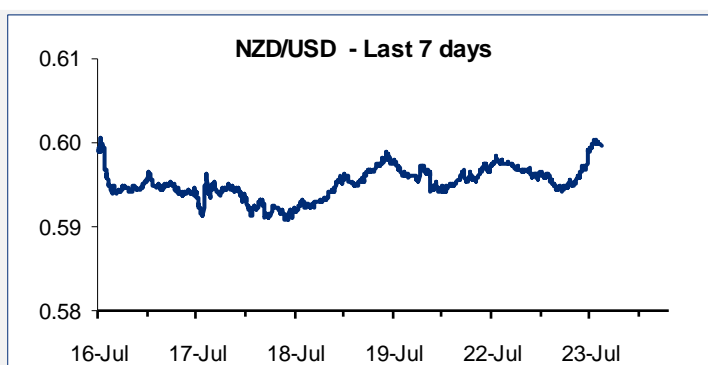
<b>23/07/2025 6:17 am</b>		<b>Prev. NY close</b>
USD	0.5997	0.5968
GBP	0.4435	0.4423
AUD	0.9157	0.9146
EUR	0.5106	0.5103
JPY	87.89	87.96
CAD	0.8165	0.8166
CHF	0.4756	0.4762
DKK	3.8118	3.8100
FJD	1.3455	1.3554
HKD	4.7076	4.6848
INR	51.80	51.50
NOK	6.0435	6.0622
PKR	170.88	170.07
PHP	34.21	34.11
PGK	2.4388	2.4250
SEK	5.7073	5.7170
SGD	0.7667	0.7643
CNY	4.2993	4.2787
THB	19.37	19.31
TOP	1.4101	1.3911
VUV	72.23	71.46
WST	1.6158	1.6244
XPF	61.11	60.91
ZAR	10.5530	10.5161

**NZD/USD Forward Points**

	<b>BNZ buys NZD</b>	<b>BNZ sells NZD</b>
1 Month	6.00	6.20
3 Months	18.63	19.04
6 Months	36.38	37.38
9 Months	50.12	52.21
1 Year	60.32	63.30

**NZD/AUD Forward Points**

	<b>BNZ buys NZD</b>	<b>BNZ sells NZD</b>
1 Month	4.61	5.06
3 Months	13.10	14.08
6 Months	22.57	25.21
9 Months	28.85	34.10
1 Year	35.27	42.89



# Contact Details

## BNZ Research

**Stephen Toplis**

Head of Research  
+64 4 474 6905

**Doug Steel**

Senior Economist  
+64 4 474 6923

**Jason Wong**

Senior Markets Strategist  
+64 4 924 7652

**Stuart Ritson**

Senior Interest Rate Strategist  
+64 9 9248601

**Mike Jones**

BNZ Chief Economist  
+64 9-956 0795

## Main Offices

**Wellington**

Level 4, Spark Central  
42-52 Willis Street  
Private Bag 39806  
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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