

Research Markets Today

23 June 2025

Events Round-Up

JN: CPI (y/y%), May: 3.5 vs. 3.5 exp.
 JN: CPI Ex Fresh Food, Energy (y/y%), May: 3.3 vs. 3.2 exp.
 UK: Retail Sales Ex Fuel (m/m%), May: -2.8 vs. -0.7 exp.
 CA: Retail Sales Ex Auto (m/m%), Apr: 0.3 vs. -0.2 exp.
 US: Phil. Fed Business Outlook, Jun: -4.0 vs. -1.5 exp.
 EC: Consumer Confidence, Jun P: -15.3 vs. -14.9 exp.

Good morning

The further escalation in the Middle East conflict over the weekend, after the US attacked Iranian nuclear sites, increases the likelihood of a further spike in oil prices and will weigh on investor risk appetite. Brent crude futures had dipped towards US\$74 on Friday, amid increased hopes for a diplomatic solution for the Iran-Israel conflict but subsequently rebounded towards US\$76. The S&P closed modestly lower while the Euro Stoxx advanced 0.7%. The US dollar was firmer against a basket of developed market currencies. Treasury yields declined following dovish comments from Fed Governor Waller.

Governor Waller said the Fed could lower interest rates as soon as the July meeting and that the increase to inflation from tariffs is likely to be short-lived. He noted the Fed Funds Rate is above the estimated neutral level, and could be reduced, and the central bank could pause cuts if needed due to external shocks. However, Waller's lean towards easing doesn't reflect the broader committee's thinking as revealed by the shift in the dot plot at the FOMC last week.

There is clearly a range of views within the FOMC, given the clear split between those members that expect to cut rates by 50bp this year, and those that expect to leave rates unchanged. Providing an alternative view to Waller, Richmond Fed President Barkin said he saw no rush to cut interest rates, given the risk that tariffs might raise inflation, while the US job market and consumer spending continue to hold up.

The market increased the amount of easing priced for the Fed. There is around 51bp of cumulative cuts implied by the December FOMC, compared with 46bp earlier in the session. Waller's comments supported US treasuries. 2-year yields declined 3bp to 3.91%. The curve steepened marginally with 10-year yields closing at 4.38%.

Japanese CPI increased to a fresh two-year high. Core prices increased at a 3.3% annual rate, which was above expectations. Rice prices have been a contributing factor and have doubled over the past year. Bank of Japan (BoJ) Governor Ueda said he will carefully monitor the impact of oil and rising food prices on inflation expectations, following the decision to leave rates on hold last week. Ueda has signalled patience for additional tightening until there is greater clarity on the impact of US tariffs.

The Finance Ministry in Japan announced plans to cut the issuance of ultra-long JGB issuance by ¥3.2 trillion, until March next year, to restore calm to the market. Short term funding will be increased to compensate. This follows the BoJ's recent decision to slow its reduction in bond purchases and is aimed at stabilising the long end of the JGB curve, after the recent volatility.

The US dollar was broadly stronger against G10 currencies into the global close on Friday. Along with the euro, the pound was amongst the better performing currencies, despite the sharp fall in UK retail sales, which provides support for a 25bp rate cut in August. NZD/USD traded below 0.5970 and is towards the weakest level since early June. The NZD underperformed against core European currencies and was little changed against the yen and AUD.

Ahead of the long weekend, NZ government bonds closed the local session on Thursday with a curve flattening bias led by the ultralong curve segment. Bond yields declined 1bp along the curve to 10-years, but 30-year yields declined 4bp. The May-2051 line saw decent demand in the weekly tender with bonds clearing around 2bp below prevailing market levels. Australian 10-year government bond futures are ~3bp lower in yield terms since the local close on Thursday, which points to a modest downward bias for NZ yields on the open.

There is no domestic or regional data to start the week. Advance PMIs for Europe and the US are the key releases and will provide a gauge of how well economic activity is holding up, given the uncertainty around US tariffs. The Eurozone composite PMI is expected to increase trivially to 50.5 while in the US, the consensus looks for the composite index to decline to 52.1 from 53.0 in May.

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Coming Up

		Period	Cons.	Prev.	NZT
GE	Manufacturing PMI	Jun P	49	48.3	19:30
GE	Services PMI	Jun P	47.9	47.1	19:30
EC	Manufacturing PMI	Jun P	49.8	49.4	20:00
EC	Services PMI	Jun P	50	49.7	20:00
UK	Manufacturing PMI	Jun P	46.9	46.4	20:30
UK	Services PMI	Jun P	51.3	50.9	20:30
US	Manufacturing PMI	Jun P	51	52	01:45
US	Services PMI	Jun P	52.9	53.7	01:45
US	Existing Home Sales (m/m%)	May	-1.25	-0.5	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	0.5966	-0.5	0.5964	0.6001	CHF	0.8178	+0.1	S&P 500	5,968	-0.2	9.2	Oil (Brent)	77.01	-2.3
AUD	0.6451	-0.5	0.6448	0.6496	SEK	9.669	+0.3	Dow	42,207	+0.1	7.8	Oil (WTI)	73.84	+0.5
EUR	1.1522	+0.2	1.1495	1.1544	NOK	10.102	+0.6	Nasdaq	19,447	-0.5	9.9	Gold	3368.1	-0.6
GBP	1.3449	-0.1	1.3441	1.3511	HKD	7.850	+0.0	Stoxx 50	5,234	+0.7	6.6	HRC steel	872.0	+0.2
JPY	146.10	+0.4	145.25	146.22	CNY	7.182	-0.1	FTSE	8,775	-0.2	6.5	CRB	312.5	-0.6
CAD	1.3736	+0.3			SGD	1.287	-0.0	DAX	23,351	+1.3	28.6	Wheat Chic.	583.5	-1.2
NZD/AUD	0.9248	+0.0			IDR	16,397	-0.1	CAC 40	7,590	+0.5	-0.5	Sugar	16.10	+1.4
NZD/EUR	0.5177	-0.7			THB	32.79	+0.1	Nikkei	38,403	-0.2	-0.5	Cotton	64.04	-1.2
NZD/GBP	0.4436	-0.3			KRW	1,370	-0.7	Shanghai	3,360	-0.1	12.1	Coffee	315.1	-2.2
NZD/JPY	87.16	+0.1			TWD	29.53	-0.4	ASX 200	8,505	-0.2	9.1	WM powder	3760	-0.5
NZD/CAD	0.8194	-0.2			PHP	57.17	-0.5	NZX 50	12,569	-0.5	7.6	Australian Futures		
NZ TWI	69.18	-0.4						VIX Index	20.62	-7.0	+56.2	3 year bond	96.67	0.03
Interest Rates												3 year bond		
												10 year bond		
												95.77		
												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	3.68	3.84	USD	4.38	-0.02	15-Apr-27	3.41	0.00	BKBM 1-mth	3.33	0.00	
AUD	3.85	3.69	3.21	4.10	AUD	4.18	-0.03	15-May-28	3.61	0.00	BKBM 3-mth	3.29	0.00	
NZD	3.25	3.29	3.29	4.13	NZD	4.59	0.00	20-Apr-29	3.78	0.00	1 year	3.21	0.00	
EUR	2.00	2.04	2.00	2.54	GER	2.52	-0.01	15-May-30	3.96	0.00	2 year	3.29	0.00	
GBP	4.25	4.49	3.72	4.04	GBP	4.54	0.01	15-May-31	4.16	0.00	3 year	3.42	0.00	
JPY	0.48	-0.03	0.70	1.18	JPY	1.40	-0.02	15-May-32	4.31	0.00	5 year	3.66	0.00	
CAD	2.75	4.97	2.53	3.03	CAD	3.30	-0.03	14-Apr-33	4.40	0.00	7 year	3.88	0.00	
						Policy Meeting Run			15-May-34	4.50	0.00	10 year	4.13	0.00
									15-May-35	4.59	0.00	15 year	4.39	0.00
									15-May-36	4.68	0.00	NZ Inflation-Indexed Bonds		
									15-May-37	4.78	0.00	Sep-30	2.17	0.00
									15-May-41	5.03	0.00	Sep-35	2.86	0.00
									15-May-51	5.24	0.00	Sep-40	3.26	0.00
									15-May-54	5.28	0.00			

* These are indicative ranges from 5pm NZT;
please confirm rates with your BNZ dealer

Rates at NY close

Source: Bloomberg

NZD exchange rates

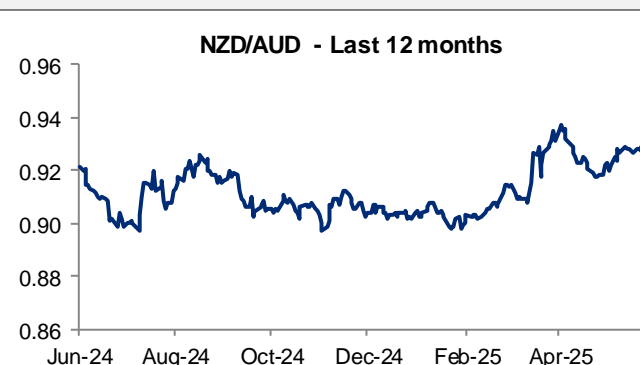
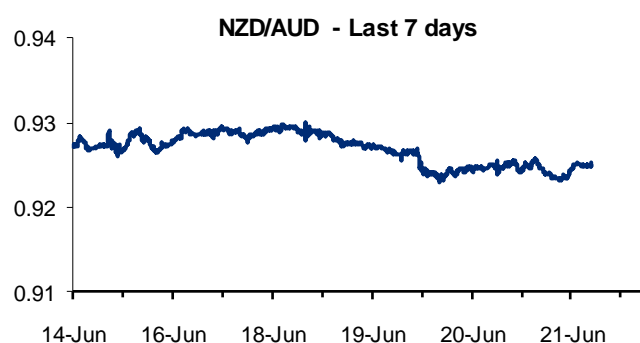
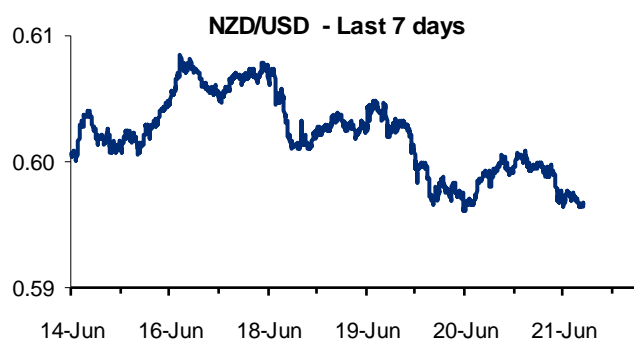
21/06/2025	NY close	Prev. NY close
USD	0.5966	0.5993
GBP	0.4436	0.4451
AUD	0.9248	0.9246
EUR	0.5177	0.5214
JPY	87.16	87.17
CAD	0.8194	0.8210
CHF	0.4881	0.4895
DKK	3.8636	3.8890
FJD	1.3478	1.3559
HKD	4.6849	4.7044
INR	51.68	51.98
NOK	6.0291	6.0181
PKR	169.33	169.99
PHP	34.12	34.43
PGK	2.4133	2.4234
SEK	5.7702	5.7751
SGD	0.7681	0.7714
CNY	4.2859	4.3076
THB	19.55	19.63
TOP	1.3911	1.3999
VUV	71.91	72.09
WST	1.6354	1.6448
XPF	61.95	62.28
ZAR	10.7383	10.8054

NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	5.63	5.98
3 Months	18.10	18.62
6 Months	34.23	36.23
9 Months	47.30	50.02
1 Year	57.36	61.00

NZD/AUD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	4.30	5.04
3 Months	11.37	12.48
6 Months	17.82	22.09
9 Months	21.63	27.33
1 Year	22.85	31.73



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