Research

Markets Today

31 July 2026

Events round-up

NZ: ANZ activity outlook, Jul: 49.3 vs. 36.9 prev.

GE: GDP (q/q%), Q2: 0.2 vs. 0.1 exp.

EA: Economic confidence, Jul: 96.9 vs. 96.0 exp.

EA: GDP (q/q%), Q2: 0.4 vs. 0.2 exp.

EA: Unemployment rate (%), Jun: 6.3 vs. 6.2 exp.

UK: Bank of England Bank Rate, Jul: 3.75 vs. 3.75 exp.

GE: CPI EU harmonised (y/y%), Jul: 2.8 vs. 2.8 exp.

US: Personal income (m/m%), Jun: 0.2 vs. 0.3 exp.

US: Real personal spending (m/m%), Jun: 0.4 vs. 0.4 exp.

US: Core PCE deflator (m/m%), Jun: 0.1 vs. 0.2 exp.

US: Core PCE deflator (y/y%), Jun: 3.3 vs. 3.3 exp.

US: Initial jobless claims (k), wk to 25 Jul: 197 vs. 200 exp.

US: GDP (ann'lsd q/q%), Q2: 1.5 vs. 2.0 exp.

Good morning

It has been an eventful 24 hours, with more bombing in the Middle East, further fallout from yesterday's Fed policy update, a dovish policy update from the Bank of England, suspected FX intervention by the BoJ, some top-tier global economic releases, and a rotation back into semiconductor stocks. The net result has been strong equity market gains ahead of month-end, further US yield curve steepening, lower UK rates, and a broadly weaker USD.

The US and Iran continue to exchange missile fire, following the temporary pause in action last weekend and earlier this week. Military action has spread, with Iran claiming residential areas have been struck by the US, Iran targeting airbases in Jordan and Kuwait, and Egypt being drawn into the fray after two LNG tankers were hit in a drone attack at an Egyptian port. Despite the escalation in the conflict, and the widespread view that it is likely to endure for months, there is no panic in the energy market. After surging nearly 8% on Wednesday, Brent crude is lower on the day and trading below USD90 per barrel.

US GDP grew at an annualised 1.5% in Q2, softer than the 2% expected, although the underlying growth picture was stronger. The headline figure was weighed down by net exports and inventories. Private consumption rose by a much stronger-than-expected 3.2%, while fixed investment increased 7.0%. Final sales to private domestic purchasers, a better gauge of underlying growth momentum, rose by about 4%, the fastest pace since the March 2023 quarter.

Initial jobless claims rose 9k last week to 197k, up moderately from the lowest level since 1969 recorded the previous week, so still very much consistent with a low-firing environment. The core PCE deflator for June rose just 0.1%, a touch weaker than expected, while the annual increase nudged down to 3.3%, as expected.

The market reaction to the economic data was muted, with the greater force being the continued digestion of Fed Chair Warsh's press conference following yesterday's FOMC policy update. While Warsh talked tough on inflation, he didn't offer guidance on how he would bring inflation down. Yesterday, investors took no comfort from his comment that the market had done some of the Fed's work by driving up nominal and real rates since the previous meeting. The sharp curve steepening that followed has continued for another day, albeit with rates lower across most of the curve. The 2-year Treasury yield is down 5bps to 4.23%, the 10-year rate is only a touch lower at 4.67%, and the 30-year rate is up 1bp to 5.21%, reaching fresh highs not seen since 2007.

As expected, the Bank of England kept rates steady at 3.75% in a 6-3 vote, with Mann joining the minority votes of Greene and Pill in favour of a 25bps hike. While the Statement acknowledged the risk of material second-round effects as higher energy prices pass through, it noted that "there is little evidence so far to suggest such effects, and there have continued to be clear signs of underlying disinflation in recent data".

Importantly, none of the six who voted to hold rates appeared close to voting for a hike. Governor Bailey summed it up nicely at his press conference: "please do not leave this room thinking the Bank of England is edging towards a hike, because frankly, there's nothing in what I said, and I think any of us have said, along those lines". The message to the market was clear. The more dovish-than-expected commentary drove rates lower, led by the short end. The 2-year gilt fell 11bps as rate hike expectations were pared back, although 31bps of hikes are still priced for this year and two full hikes by April.

Euro area GDP rose a stronger-than-expected 0.4% q/q in Q2, with broadly based gains suggesting the region was not adversely affected by the Middle East conflict. While European short-end rates were dragged lower by the fall in

US and UK rates, the data still left the market well priced for a follow-up ECB hike in September.

In the currency market, the USD has weakened broadly, extending the losses seen after yesterday's Fed policy update. The biggest move has been a surge in the yen, amid speculation that Japan's MoF took advantage of broad dollar weakness to intervene in the market and shake out some speculators. The yen surged 3% as USD/JPY fell from 162.80 to just under 158 and is at 159 as we go to print. The MoF probably wanted to get on the front foot, with the BoJ widely expected to hold policy steady yet again later today.

Broad dollar weakness has seen the NZD reach 0.5880, its highest level in almost two months, while the AUD is around 0.7030. Lower UK rates following the dovish BoE update have not done any harm to GBP, which has outperformed EUR overnight, even with the positive euro area GDP print. On the NZD crosses, while NZD/JPY is down over 1% overnight to 93.5, the NZD is moderately stronger against the other key majors. NZD/EUR has reached 0.51, NZD/GBP is up to 0.4365, and NZD/AUD has nudged up to 0.8365.

The soft dollar and Fed-on-hold backdrop have supported global equity markets, with a recovery in semiconductor and IT stocks adding to the upside pressure. The semiconductor index (SOX) is up 8%. In the Mag 7 space, Microsoft surged 17% after its earnings report was well received, while Meta plunged 9%. Tech stocks overall are leading gains in the S&P500, with the sector up 5%, driving a 1½% gain for the index. The Nasdaq index is up over 2½%, while the Euro Stoxx 600 index closed up 0.8%.

Global forces pushed NZ rates higher yesterday, alongside some curve steepening. The 2-year swap rate rose 5bps to 3.71%, the 5-year rate rose 7bps to 4.06%, and the 10-year rate rose 8bps to 4.42%. Moves were similar for NZGBs, while the ultra-long 2054s were the worst performers, rising 10bps to 5.34%. Higher rates attracted strong bidding interest at the weekly auction, and the extension of the index to incorporate the newly issued 2038 bonds should support demand for duration into month-end.

There was little reaction to ANZ's Business Outlook survey, which continued the run of positive NZ economic data. The key activity indicators were all stronger in June compared with the previous month. The inflation indicators softened a little but remained elevated.

In the day ahead, ANZ NZ consumer confidence, Tokyo CPI, and China PMI data will be released ahead of the BoJ's policy update. The BoJ should be hiking, but no one expects it to, and the market ascribes almost no chance of a hike. The best one might hope for is clear guidance that the next rate hike will come soon. Euro area CPI and the US employment cost index are the two key releases due tonight. Germany CPI data released overnight showed a lift in annual inflation from 2.4% to 2.8% as expected. The consensus sees annual euro area CPI inflation lifting a touch to 2.9%, with the core rate steady at 2.4%.

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Coming up

		Period	Cons.	Prev.	NZT
NZ	ANZ consumer confidence	Jul		91.3	10:00
JN	Tokyo CPI (y/y%)	Jul	1.8	1.7	11:30
JN	Tokyo CPI x-fr. food, energy (y/y%)	Jul	2.0	1.9	11:30
CH	Manufacturing PMI	Jul	50.1	50.3	13:30
CH	Non-manufacturing PMI	Jul	50.0	50.2	13:30
JN	BoJ target rate (%)	Jul	1.0	1.0	
GE	Unemployment rate (%)	Jul	6.3	6.3	19:55
EC	CPI (y/y%)	Jul	2.9	2.8	21:00
EC	CPI core (y/y%)	Jul	2.4	2.4	21:00
CA	GDP (m/m%)	May	0.2	0.5	00:30
US	Employment cost index (q/q%)	Q2	0.8	0.9	00:30
US	Chicago PMI	Jul	56	56.7	01:45
US	U. of Mich. consumer sentiment	Jul	54.0	54.4	02:00
US	U. of Mich. 5-10y inflation exp.	Jul	3.3	3.3	02:00

Source: Bloomberg

Currencies

FX Majors — **Indicative overnight ranges (*)**

	Last	% Day	Low	High
NZD	0.5880	+1.4	0.5804	0.5883
AUD	0.7028	+1.0	0.6950	0.7033
EUR	1.1532	+0.6	1.1434	1.1537
GBP	1.3472	+0.8	1.3337	1.3474
JPY	159.06	-2.7	157.98	163.74
CAD	1.3997	-0.3		
NZD/AUD	0.8367	+0.4		
NZD/EUR	0.5099	+0.9		
NZD/GBP	0.4365	+0.7		
NZD/JPY	93.53	-1.2		
NZD/CAD	0.8230	+1.1		
NZ TWI	66.94	+0.9		

Other FX

	Last	% Day
CHF	0.8045	-1.1
SEK	9.523	-1.3
NOK	9.528	-0.6
HKD	7.843	+0.0
CNY	6.752	-0.2
SGD	1.282	-0.6
IDR	18,111	+0.2
THB	33.38	-0.2
KRW	1,422	-1.4
TWD	32.47	+0.3
PHP	61.57	+0.3

Equities

Major Indices

	Last	% Day	% Year
S&P 500	7,425	+1.5	16.7
Dow	52,182	+1.1	17.4
Nasdaq	25,085	+2.6	18.7
Stoxx 50	6,344	+1.5	17.6
FTSE	10,897	-0.1	19.3
DAX	25,612	+0.6	5.6
CAC 40	8,486	+0.9	7.9
Nikkei	61,867	+0.7	50.6
Shanghai	3,805	-0.6	5.2
ASX 200	8,968	-0.8	2.6
NZX 50	13,763	-1.5	7.3
VIX Index	17.86	-13.6	+15.4

Commodities

Price (Near futures, except CRB)

	Last	Net Day
Oil (Brent)	89.27	-1.6
Oil (WTI)	83.69	-0.9
Gold	4102.3	+1.6
HRC steel	1193.0	-0.2
CRB	385.5	+1.7
Wheat Chic.	681.3	+0.5
Sugar	14.43	-0.4
Cotton	79.41	+1.6
Coffee	307.7	+0.2
WM powder	3500	+0.0

Australian Futures

3 year bond	95.46	-0.06
10 year bond	95.01	0.01

Interest Rates

Rates — **Swap Yields**

	Cash	3Mth	2 Yr	10 Yr
USD	3.75	4.85	4.08	4.25
AUD	4.35	4.50	4.52	5.04
NZD	2.50	2.93	3.71	4.42
EUR	2.25	2.46	2.96	3.18
GBP	3.75	3.87	4.23	4.57
JPY	0.98	-0.03	1.55	2.68
CAD	2.25	4.97	2.78	3.35

Benchmark 10 Yr Bonds

	Last	Net Day
USD	4.66	-0.01
AUD	5.00	0.08
NZD	4.73	0.08
GER	3.16	-0.01
GBP	4.98	-0.05
JPY	2.81	0.05
CAD	3.58	-0.01

NZ Government Bonds

	Last	Chg
15-May-28	3.65	0.05
20-Apr-29	3.86	0.04
15-May-30	4.03	0.05
15-May-31	4.20	0.06
15-May-32	4.34	0.07
14-Apr-33	4.43	0.07
15-May-34	4.54	0.07
15-May-35	4.64	0.08
15-May-36	4.73	0.08
15-May-37	4.81	0.08
15-May-38	4.87	0.08
15-May-41	5.10	0.09
15-May-51	5.33	0.09
15-May-54	5.34	0.10

NZ BKBM and Swap Yields

	Last	Chg
BKBM 1-mth	2.70	0.00
BKBM 3-mth	2.93	0.01
1 year	3.43	0.03
2 year	3.71	0.05
3 year	3.85	0.06
5 year	4.06	0.07
7 year	4.22	0.07
10 year	4.42	0.08
15 year	4.66	0.08

NZ Inflation-Indexed Bonds

Sept-30	1.70	0.04
Sept-35	2.50	0.04
Sept-40	2.98	0.04

Carbon Price

	Level	% Day	% Year
NZU	55.95	+0.3	-0.8

Policy Meeting Run

	NZD	AUD	USD
1st	2.74	4.37	3.79
2nd	2.90	4.39	3.86
3rd	3.10	4.48	3.96
4th	3.27	4.51	4.01
5th	3.40	4.53	4.07

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

Rates are as of: NZT 06:52

Source: Bloomberg

NZD exchange rates

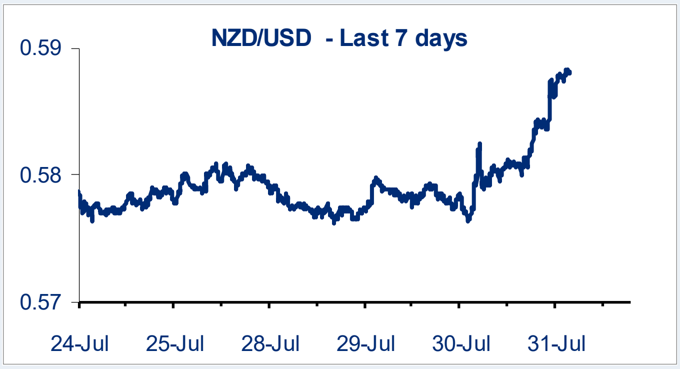
31/07/2026	6:52 am	Prev. NY close
USD	0.5880	0.5796
GBP	0.4365	0.4335
AUD	0.8367	0.8332
EUR	0.5099	0.5055
JPY	93.53	94.71
CAD	0.8230	0.8142
CHF	0.4731	0.4716
DKK	3.8120	3.7782
FJD	1.3126	1.2972
HKD	4.6099	4.5454
INR	56.24	55.44
NOK	5.6033	5.5585
PKR	163.33	161.05
PHP	36.19	35.58
PGK	2.5894	2.5601
SEK	5.6004	5.5916
SGD	0.7537	0.7472
CNY	3.9691	3.9205
THB	19.75	19.46
TOP	1.3775	1.3622
VUV	70.29	69.26
WST	1.5935	1.5807
XPF	61.12	60.42
ZAR	9.7013	9.6592

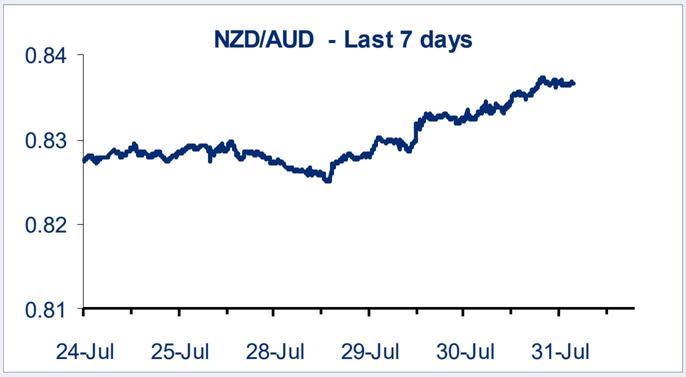
NZD/USD Forward Points

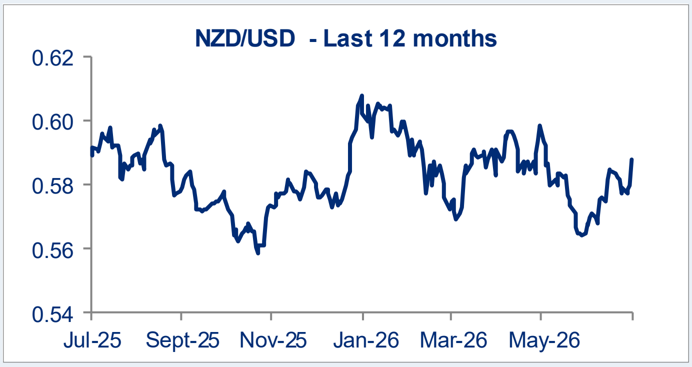
	BNZ buys NZD	BNZ sells NZD
1 Month	5.35	5.55
3 Months	14.71	15.27
6 Months	27.38	28.51
9 Months	36.40	38.00
1 Year	43.42	46.38

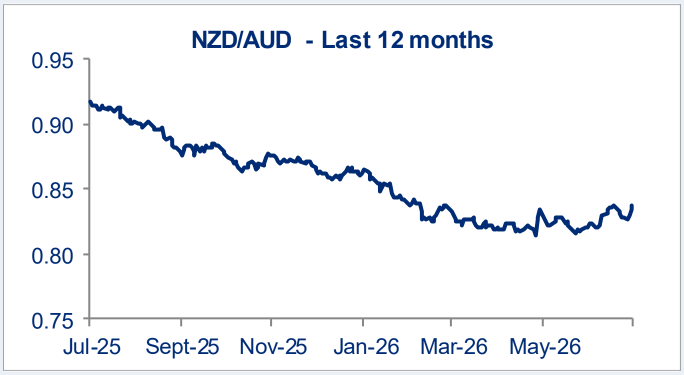
NZD/AUD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	12.21	12.62
3 Months	33.57	34.81
6 Months	62.73	65.39
9 Months	85.02	89.07
1 Year	103.63	110.20









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