

Market Alert

Wednesday 02 July 2025

CURRENCIES	Spot	6mths
NZD/USD	0.6095	0.0034
NZD/AUD	0.9265	0.0015
NZD/JPY	87.575	-1.27
NZD/EUR	0.5168	-0.0032
NZD/GBP	0.4436	0.0020
NZD/CNH	4.3438	-0.0363
AUD/USD	0.6578	0.0025
AUD/EUR	0.5577	-0.0045
EUR/USD	1.1792	0.0140
USD/CNH	7.1614	-0.0994
GBP/USD	1.3738	0.0013
EUR/GBP	0.8581	0.0093
INT RATES	NZ	Australia
OCR/Cash	3.25%	3.85%
90 day bills	3.29%	3.65%
2 year swap	3.13%	3.14%
10 year Govt	4.55%	4.21%

There is a lot to get through ...

... so here we go ...

Treasury yields rebounded this morning with the 2-years firming 6bps to 3.79% while the 10-years firmed 2bps to 4.25%. Unfortunately, it didn't help the USD-index which continues to struggle, falling below the 96.50 level which saw EUR/USD close in on the 1.1800 level while the NZD and AUD reached new highs overnight. It was a mixed session, highlighted by equity markets, which roughly traded between -0.25% and +0.25%. Commodities painted a similar story.

First the data ... then the chit-chat!

The overnight data releases saw ...

- US job openings rose by 374k to 7.769m in May, the highest level since November 2024 and well above market expectations of 7.3m.

- US manufacturing PMIs firmed from May's 48.5 to 49 in June. It was the 4th consecutive month of contractions.

- And continuing the trend, US economic optimism eased from 49.2 to 48.6 in July, missing forecasts at 50.1. The 6-month outlook also declined from 45.0 to 44.5.

- The Atlanta Fed GDPNow growth estimate for US Q2 growth eased from 2.9% to 2.5%.

- Eurozone inflation rose from May's 8-month low at 1.9% to 2.0% in June, right on the ECB's official target.

- Germany's seasonally adjusted unemployment rate held steady at 6.3% in June, just below forecasts at 6.4%.

- China Caixin manufacturing PMIs firmed from 48.3 to 50.4 in June.

- NZ QSBO business confidence firmed from 19% to 22% in Q2, with a net 27% of businesses expecting economic conditions to improve in the coming months, up from 23% in Q1.

Speaking at the ECB summit, Jerome Powell stated, "If we ignore tariffs, inflation is behaving as we expected and hoped for, (although) we expect higher readings over the summer. We went on hold when we saw the size of the tariffs. We're talking our time, for as long as the US economy is solid, the prudent thing to do it wait. The US economy is in a pretty good position. I can't say whether July is too soon to consider a cut."

BoJ Governor Ueda added, "Any BoJ rate hikes will depend on three components of inflation dynamics, one of which is price rises driven by robust demand accompanied by wage increases. Another is driven by cyclical components such as the negative

impact of US tariffs on the economy and prices, with the third being domestic supply shocks generated by rising food prices."

The ECB's Madis Muller added, "For the moment it's not obvious to me that we need to go into expansionary territory. Growth is weak, but it's still gradually picking up. So, it's quite reasonable for now to keep rates where they are and to monitor further developments – also as the level of rates is low enough and not holding back the recovery."

GDT bloodbath

When you review the recent price action, dairy futures have come under sustained selling pressure over the last month, so, naturally, hopes weren't high for last night's GDT auction, and that proved to be the case with the overall index falling -4.1% while WMP got crushed falling -5.1%. Butter also continued its recent retreat falling -4.3%, AMF dropped -4.2%, while SMP eased -1.7%. This will invariably raise questions as to next year's pay-out, especially with a strengthening NZD and a soft hedging performance. Perhaps it is time to start scaling back next year's Farmgate projections!

Finally:

- Goldman Sachs has fast-tracked their Fed rate cut call from December to September.
- Blackrock confirmed investors are reassessing US strength and are diversifying away from American assets.
- Japan is to begin seabed rare earth extraction in 2025 to curb their dependence on China.



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Daily Rates

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FX	Spot	FECs (mid)				Spot Mid	
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...
NZ TWI	69.70					CAD	0.8311 0.8973
NZD/USD	0.6095	0.0006	0.0019	0.0034	0.0056	CHF	0.4825 0.5210
NZD/AUD	0.9265	0.0004	0.0010	0.0015	0.0019	CNY	4.3580 4.7037
NZD/JPY	87.575	-0.22	-0.63	-1.27	-2.30	DKK	3.8549 4.1618
NZD/EUR	0.5168	-0.0006	-0.0016	-0.0032	-0.0063	FJD	1.3441 1.4511
NZD/GBP	0.4436	0.0004	0.0011	0.0020	0.0035	HKD	4.7829 5.1637
						KRW	827.31 893.16
AU TWI	60.40					MYR	2.5566 2.7601
AUD/USD	0.6578	0.0004	0.0013	0.0025	0.0042	NOK	6.1407 6.6295
AUD/NZD	1.0789	-0.0005	-0.0012	-0.0021	-0.0033	SEK	5.7794 6.2394
AUD/JPY	94.19	-0.29	-0.79	-1.53	-2.74	SGD	0.7755 0.8372
AUD/EUR	0.5577	-0.0009	-0.0023	-0.0045	-0.0083	TWD	17.86 19.28
AUD/GBP	0.4787	0.0002	0.0006	0.0013	0.0024	ZAR	10.72 11.58
USD Index	96.78					EQUITIES	
EUR/USD	1.1792	0.0025	0.0071	0.0140	0.0248		Index
USD/JPY	143.66	-0.52	-1.47	-2.87	-5.04	NZX50	12,735
GBP/USD	1.3738	0.0002	0.0008	0.0013	0.0013	ASX200	8,541
EUR/GBP	0.8581	0.0017	0.0046	0.0093	0.0172	Dow Jones	44,495
USD/CNY	7.1647	-0.0166	-0.0500	-0.0933	-0.1882	S&P 500	6,207
						FTSE100	8,785
						DAX 30	23,673
						Nikkei	39,986
INTEREST		New Zealand		Australia		COMMODITIES	
RATES		Mid		Mid			USD
30 day bank bills		3.33%		3.67%		Brent Crude	67.34
90 day bank bills		3.29%		3.65%		Gold	3,337.08
1 year swap		3.13%		3.24%		Silver	35.97
2 year swap		3.17%		3.15%		Iron Ore	94.52
3 year swap		3.28%		3.20%		CRB Index	363.72
5 year swap		3.53%		3.60%			
10 year swap		4.03%		4.06%			
3 year Govt bond		3.53%		3.25%			
5 year Govt bond		3.90%		3.52%			
10 year Govt bond		4.55%		4.21%		NZ Carbon	58.00

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