Market Alert

Friday 31 July 2026

CURRENCIES	Spot	6mths
NZD/USD	0.5880	0.0027
NZD/AUD	0.8361	0.0061
NZD/JPY	93.710	-0.97
NZD/EUR	0.5100	-0.0015
NZD/GBP	0.4365	0.0020
NZD/CNH	3.9683	-0.0344
AUD/USD	0.7031	-0.0021
AUD/EUR	0.6098	-0.0063
EUR/USD	1.1529	0.0084
USD/CNH	6.7473	-0.0890
GBP/USD	1.3469	-0.0002
EUR/GBP	0.8559	0.0063

INT RATES	NZ	Australia
OCR/Cash	2.50%	4.35%
90 day bills	2.93%	4.55%
2 year swap	3.65%	4.54%
10 year Govt	4.80%	5.13%

Financial markets have made their decision ...

With the key-out take being ... they're not too enamoured with a certain Kevin Warsh.

This, combined with some of the overnight releases, weighed heavily on the USD with the index falling 0.95 as it plummeted back below the 100.00 level. This boosted the NZD/USD to a two-month high of 0.5880 and the AUD/USD back above the 0.7000 to 0.7030.

While bond markets are still pricing in approximately 30bps of rate hikes by the Fed by year-end, the bond market is voting against Fed Chair Warsh with the 30-year treasury yield reaching its highest level since 2007, although the 10-years was a little more circumspect 'only' reaching a 16-month high. This is steepening the US curve, with the 2-years easing a further 3bps overnight to reach 4.25% while the 10-years is just 1bp lower at 4.68%.

Yesterday the US confirmed it undertook a *"heavy wave of attacks on Iran"*, although this had been expected, which saw a subdued reaction from oil markets with crude easing 0.7% while brent ease 1.7%. But despite the negatives, the Nasdaq rebounded strongly gaining 3.75%, while the other US exchanges, and the European bourses, gained 0.75%-1.75%.

There was a lot of data overnight .... so here goes ...

Coming hot on the heels of yesterday's Fed decision to keep its interest rate setting unchanged, the overnight releases showed an unexpected softening in US economic momentum ...

- June quarter GDP increased an annualised 1.5%, down from 2.1% in March and well below the 2.0% pace markets had been expecting. A pickup in consumer spending, which accounts for two-thirds of economic activity, remained strong, as did business investment. Most forecasters see a strong rebound in the September quarter.
- US initial claims increased 9k to 197k, while continuing claims fell by 7k to 1,782k.
- The US PCE price index decreased 0.1% in June 2026, as expected, after a 0.5% rise in May. Goods prices fell 0.6%, the most since November 2023, while services inflation slowed to 0.1% from 0.5% in the prior month.
- US personal spending increased by USD65.2bn, or 0.3% in June from May's 0.9% gain, although personal income rose 0.2% in June 2026, falling short of market expectations for a 0.3% increase

Eurozone Q2 GDP expanded at 0.4%, accelerating from the flat growth of Q1. It was the regions strongest growth since Q1 2025 as robust AI-related investment, solid government spending, and one-off factors helped offset the impact of higher energy costs.

The BoE left its Bank Rate unchanged at 3.75% at its July meeting, with a 6-3 majority in favour of holding rates steady. The 3 objectors preferred a 25bps increase. While the central bank expects inflation to rise again later in the year, they feel there is little evidence so far of second-round inflationary impacts as the weaker labour market and elevated borrowing costs are helping reduce the second-round impacts.

Australia's Q2 CPI reading came in *"a touch softer"* than expected, according to RBA Assistant Governor Sarah Hunter. She said headline inflation has continued to ease, although underlying price pressures, particularly from housing and services, remain persistent.

NZ business sentiment surged from 36.6 to 56.1 in July, to record its strongest print since February. Firms' 'own activity' outlook also strengthened, from 36.9 to 49.3. Breaking it down, inflation expectations eased from 3.36% to 3.14%, cost expectations fell from 84.7 to 78.2, while pricing intentions fell 4bps to 47.2. All very positive, although the information is usually collaborated and collected over a month, and we know what happened in the Strait of Hormuz over that period!

Daily Rates

Friday 31 July 2026

FX	Spot Mid	FECs (mid) 1mth	3mths	6mths	12mths		Spot Mid NZD/...	AUD/...
NZ TWI	66.50					CAD	0.8231	0.9846
NZD/USD	0.5880	0.0005	0.0014	0.0027	0.0044	CHF	0.4731	0.5659
NZD/AUD	0.8361	0.0012	0.0033	0.0061	0.0103	CNY	3.9583	4.7321
NZD/JPY	93.710	-0.15	-0.46	-0.9738	-2.05	DKK	3.8106	4.5580
NZD/EUR	0.5100	-0.0002	-0.0006	-0.0015	-0.0037	FJD	1.2859	1.5382
NZD/GBP	0.4365	0.0004	0.0011	0.0020	0.0034	HKD	4.6102	5.5145
						KRW	835.16	998.99
AU TWI	65.00					MYR	2.3953	2.8651
AUD/USD	0.7031	-0.0004	-0.0011	-0.0021	-0.0036	NOK	5.5988	6.6971
AUD/NZD	1.1953	-0.0018	-0.0049	-0.0092	-0.0154	SEK	5.5993	6.6977
AUD/JPY	113.83	-0.33	-0.99	-2.00	-3.82	SGD	0.7530	0.9007
AUD/EUR	0.6098	-0.0011	-0.0032	-0.0063	-0.0120	TWD	19.04	22.78
AUD/GBP	0.5219	-0.0003	-0.0008	-0.0015	-0.0025	ZAR	9.70	11.60
USD Index	99.93							
EUR/USD	1.1529	0.0014	0.0042	0.0084	0.0167			
USD/JPY	159.37	-0.38	-1.18	-2.38	-4.65			
GBP/USD	1.3469	-0.0001	-0.0001	-0.0002	-0.0011			
EUR/GBP	0.8559	0.0011	0.0031	0.0063	0.0127			
USD/CNY	6.755	-0.0148	-0.0434	-0.0887	-0.1865			

EQUITIES	Index
NZX50	13,763
ASX200	8,968
Dow Jones	52,197
S&P 500	7,440
FTSE100	10,897
DAX 40	25,612
Nikkei	61,867

INTEREST RATES	New Zealand Mid	Australia Mid
30 day bank bills	2.70%	4.37%
90 day bank bills	2.93%	4.55%
1 year swap	3.42%	4.58%
2 year swap	3.65%	4.54%
3 year swap	3.78%	4.50%
5 year swap	4.03%	4.54%
10 year swap	4.40%	4.80%
3 year Govt bond	3.96%	4.60%
5 year Govt bond	4.27%	4.69%
10 year Govt bond	4.80%	5.13%

COMMODITIES	USD
Brent Crude	89.13
Gold	4,112.89
Silver	59.21
Iron Ore	98.27
CRB Index	492.30
	NZD
NZ Carbon	55.95