

Market Alert

Wednesday 18 June 2025

CURRENCIES	Spot	6mths
NZD/USD	0.6012	0.0036
NZD/AUD	0.9288	0.0019
NZD/JPY	87.335	-1.23
NZD/EUR	0.5238	-0.0032
NZD/GBP	0.4480	0.0021
NZD/CNH	4.3596	-0.0356
AUD/USD	0.6471	0.0025
AUD/EUR	0.5637	-0.0047
EUR/USD	1.1478	0.0141
USD/CNH	7.1927	-0.1051
GBP/USD	1.3420	0.0016
EUR/GBP	0.8551	0.0093

INT RATES	NZ	Australia
OCR/Cash	3.25%	3.85%
90 day bills	3.30%	3.76%
2 year swap	3.24%	3.23%
10 year Govt	4.67%	4.35%

Demand drags

The data releases out overnight showed a contrasting story. In the US, it appears that the US consumer has run out of steam and printed softer than expected for the month of May. Core retail sales were down 0.3% on the month, while retail sales fell 0.9%, further both figures had their previous releases downwardly revised. Although unsurprisingly this had little effect on the market's expectations of tomorrow morning (local time) US Fed meeting with another pause, deemed most likely. US industrial production was also down over May, with a -0.2% decrease over the month, but a 0.6% increase over the May year.

On the other side of the Atlantic, sentiment is improving with both the German and Eurozone ZEW economic

sentiment index showing an uptick as both bet market expectations by a substantial amount.

The BoJ held its benchmark interest rate unchanged at 0.50%, although BoJ Governor Kazuo Ueda stated that rising oil prices, if persistent, could affect underlying inflation in a way that could warrant action. Although there are larger downside risks to Japan's economic and price outlook from the uncertainty over US trade policy. The BoJ made no changes to its existing bond tapering plan to reduce the amount of government bond purchases by JPY400bn per quarter, with monthly buying slowing to around JPY3trn by March 2026, however the BoJ will halve the quarterly reduction starting in fiscal year 2026 so that monthly purchases fall to about JPY2trn by March 2027.

The dollar back in favour?

As tensions continue to rise in the Middle East, as world leaders continue to send each other threatening messages over various social media platforms, it appears that this pressure is starting to wain on markets. Despite the weaker than expected data, markets had US assets (bonds) back in favour overnight, likely due to safe haven flows. The US 10-year Treasury eased 6bps to 4.39% and continues to be held below the key 4.50% level, despite rising US deficit concerns.

The NZD/USD is back at 0.6015 this morning after having attempted to break above 0.6080 on three occasions

now with global factors namely the USD continuing to dominate moves, as the USD index at this stage fails to hold below 98.00. The EUR has continued to strengthen with the EUR/USD now threatening the 1.1600 level.

Middle eastern tensions also saw oil prices soar once more, with West Texas crude back at \$73.25 bbl. This is a near 30% increase since the early May lows and will clearly put the focus back onto inflation.

Butter brilliance

The GDT price index has fallen again following the latest trading event. The index fell 1.0%, its third consecutive decrease. The last GDT price index increase was in early May. Butter prices increased 6.1% while Whole Milk Powder fell 2.8%.

Hopefully, the recent falls in the GDT index will help cool food price inflation on stressed households as yesterday's selected price index figures showed that food prices were up 4.4% on the year, the largest increase since 2023. On the contrary rent prices increased by 2.8% on the year, the smallest increase in 10-years. While the recent increase in oil prices will only add further uncertainty to the inflation outlook. This uncertainty leaves a lot of room for opinions and views and as such, with BNZ now predicting that inflation will move above 3.0%, the top of the RBNZ's target range, later this year.



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Daily Rates

Wednesday 18 June 2025

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	69.90					CAD	0.8213	0.8844
NZD/USD	0.6012	0.0006	0.0018	0.0036	0.0060	CHF	0.4908	0.5287
NZD/AUD	0.9288	0.0004	0.0011	0.0019	0.0026	CNY	4.3464	4.6752
NZD/JPY	87.335	-0.22	-0.66	-1.23	-2.39	DKK	3.9052	4.2048
NZD/EUR	0.5238	-0.0006	-0.0017	-0.0032	-0.0067	FJD	1.3367	1.4393
NZD/GBP	0.4480	0.0003	0.0011	0.0021	0.0035	HKD	4.7177	5.0796
						KRW	830.04	893.71
AU TWI	60.30					MYR	2.5500	2.7456
AUD/USD	0.6471	0.0003	0.0012	0.0025	0.0045	NOK	5.9715	6.4306
AUD/NZD	1.0762	-0.0006	-0.0016	-0.0024	-0.0037	SEK	5.7433	6.1838
AUD/JPY	94.62	-0.30	-0.83	-1.54	-2.88	SGD	0.7735	0.8328
AUD/EUR	0.5637	-0.0009	-0.0025	-0.0047	-0.0091	TWD	17.81	19.18
AUD/GBP	0.4822	0.0001	0.0006	0.0012	0.0023	ZAR	10.83	11.66
USD Index	98.84					EQUITIES		
EUR/USD	1.1478	0.0024	0.0072	0.0141	0.0264		Index	
USD/JPY	145.25	-0.53	-1.54	-2.94	-5.44	NZX50	12,639	
GBP/USD	1.3420	0.0002	0.0008	0.0016	0.0028	ASX200	8,541	
EUR/GBP	0.8551	0.0016	0.0048	0.0093	0.0178	Dow Jones	42,216	
USD/CNY	7.1845	-0.0166	-0.0504	-0.0990	-0.2075	S&P 500	5,983	
						FTSE100	8,834	
INTEREST		New Zealand	Australia			DAX 30	23,435	
RATES		Mid	Mid			Nikkei	38,537	
30 day bank bills		3.34%	3.77%			COMMODITIES		
90 day bank bills		3.30%	3.76%				USD	
1 year swap		3.21%	3.33%			Brent Crude	76.70	
2 year swap		3.29%	3.24%			Gold	3,384.47	
3 year swap		3.41%	3.28%			Silver	37.10	
5 year swap		3.66%	3.68%			Iron Ore	95.23	
10 year swap		4.15%	4.14%			CRB Index	385.15	
3 year Govt bond		3.67%	3.40%				NZD	
5 year Govt bond		4.03%	3.66%			NZ Carbon	59.00	
10 year Govt bond		4.67%	4.35%					

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