

Market Alert

Tuesday 24 June 2025

CURRENCIES	Spot	6mths
NZD/USD	0.5978	0.0035
NZD/AUD	0.9255	0.0016
NZD/JPY	87.355	-1.26
NZD/EUR	0.5163	-0.0033
NZD/GBP	0.4420	0.0021
NZD/CNH	4.3298	-0.0358
AUD/USD	0.6457	0.0024
AUD/EUR	0.5576	-0.0047
EUR/USD	1.1578	0.0140
USD/CNH	7.1754	-0.1008
GBP/USD	1.3522	0.0013
EUR/GBP	0.8560	0.0094

INT RATES	NZ	Australia
OCR/Cash	3.25%	3.85%
90 day bills	3.30%	3.71%
2 year swap	3.23%	3.19%
10 year Govt	4.66%	4.31%

What a round trip that was ...

While Iran retaliated with coordinated attacks on American airbases in Qatar and Iraq, the NY Times reported Qatari officials had received advanced notice of the attacks through 'back door' channels. There were no reports of US and Qatari casualties.

The potential win-win for both sides ... with the US able to say they inflicted maximum damage with no casualties, and the Iranians able to say they struck back at the belly of the beast ... suggests we could be approaching a possible resolution. The possibility of further escalation has at least abated for the time being with, apparently, the Iranians now ready to negotiate a peaceful conclusion.

But what was most interesting was the reaction in FX markets. Intriguingly, during the Asian opening yesterday, the

NZD and AUD were the two currencies that came under the most selling pressure, whereas the likes of the EUR, GBP and CHF were all higher against the USD at various times. The NZD and the AUD don't carry high degrees of geo-political risk, but they bore the brunt of the risk-off sentiment. This saw the NZD/USD fall to an overnight low of 0.5883 (well done to those exporters who took our advice with orders in the 0.5880's and 0.5890's) before recovering to be at 0.5978 this morning.

The AUD/USD took a similar, but not so ruthless, round trip to 0.6373 before firming to 0.6460, while USD/JPY went from 146.08 to 148.02 and then back to 146.15! Interestingly, the EUR/USD and GBP/USD are just off their highs at 1.1575 and 1.3525, which begs the question ... where to from here? As we mentioned yesterday, most currency pairs remain in their ranges and, given the potential resolution to the escalation, the ranges and risks from a week ago are exactly the same this morning.

US Treasury yields had a similar trip, with the 2-year yield ranging between 3.81% and 3.93%, while the 10-years roamed from 4.29% to 4.40%. Currently they are trading 6bps and 4bps lower at 3.86% and 4.34% respectively.

In terms of commodities, oil was up 3.0% in our time zone yesterday, but due to the hopes of de-escalation in the Middle East it fell 7.0% overnight.

Looking at the overnight releases

- Japanese flash PMIs showed

manufacturing firmed from 49.4 to 50.4, services expanded from 51.0 to 51.5, which meant the composite gapped from 50.2 to 51.4 in June.

- Australian services PMIs firmed from 50.6 to 51.3, while the manufacturing PMIs flatlined at 51.0, which meant the composite improved from 50.5 to 51.2 in June.

- Fitch Ratings reported a sharper-than-usual seasonal rise in Australian mortgage arrears in Q1.

Hawks to Doves

Adding to Fed Governor Christopher Waller's dovish comments yesterday, suggesting a July US rate cut was possible, Fed Board Governor Michelle Bowman (after citing rising concerns around a softening labour market and less worry about inflation), came to the conclusion that "*It is time to consider adjusting the policy rate.*" This rhetoric was augmented by Chicago Fed President, Austan Goolsbee, who highlighted that so far the impact of tariffs are not as bad as feared and that it is critical to look at the soft economic data.

While Goolsbee has been a lifetime dove, Waller and Bowman have recently been hawkish - which raises the question, is this change to a more dovish tone driven by job security, as Trump's not so subtle desire for lower interest rates is apparent, or a reflection of the most recent economic data? Nonetheless, it is starting to move market pricing, with a rate cut by the Fed in September now fully priced in.



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Daily Rates

Tuesday 24 June 2025

FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	69.00					CAD	0.8208	0.8869
NZD/USD	0.5978	0.0006	0.0018	0.0035	0.0057	CHF	0.4850	0.5243
NZD/AUD	0.9255	0.0005	0.0011	0.0016	0.0019	CNY	4.2704	4.6169
NZD/JPY	87.355	-0.21	-0.63	-1.26	-2.38	DKK	3.8502	4.1601
NZD/EUR	0.5163	-0.0005	-0.0016	-0.0033	-0.0067	FJD	1.3324	1.4397
NZD/GBP	0.4420	0.0004	0.0011	0.0021	0.0035	HKD	4.6911	5.0687
						KRW	819.02	884.94
AU TWI	59.60					MYR	2.5649	2.7713
AUD/USD	0.6457	0.0003	0.0012	0.0024	0.0042	NOK	6.0295	6.5148
AUD/NZD	1.0799	-0.0006	-0.0014	-0.0024	-0.0039	SEK	5.7380	6.1998
AUD/JPY	94.47	-0.27	-0.80	-1.55	-2.83	SGD	0.7673	0.8290
AUD/EUR	0.5576	-0.0008	-0.0024	-0.0047	-0.0087	TWD	17.69	19.12
AUD/GBP	0.4773	0.0002	0.0006	0.0013	0.0024	ZAR	10.67	11.53
USD Index	98.37					EQUITIES		
EUR/USD	1.1578	0.0023	0.0071	0.0140	0.0258		Index	
USD/JPY	146.12	-0.49	-1.50	-2.88	-5.30	NZX50	12,533	
GBP/USD	1.3522	0.0002	0.0007	0.0013	0.0016	ASX200	8,475	
EUR/GBP	0.8560	0.0016	0.0047	0.0094	0.0177	Dow Jones	42,582	
USD/CNY	7.179	-0.0155	-0.0484	-0.0963	-0.2027	S&P 500	6,025	
						FTSE100	8,758	
INTEREST		New Zealand	Australia			DAX 30	23,269	
RATES		Mid	Mid			Nikkei	38,354	
30 day bank bills		3.33%	3.74%			COMMODITIES		
90 day bank bills		3.30%	3.71%				USD	
1 year swap		3.20%	3.30%			Brent Crude	70.75	
2 year swap		3.28%	3.20%			Gold	3,372.96	
3 year swap		3.40%	3.25%			Silver	36.22	
5 year swap		3.65%	3.65%			Iron Ore	94.77	
10 year swap		4.13%	4.10%			CRB Index	374.43	
3 year Govt bond		3.67%	3.36%					
5 year Govt bond		4.03%	3.62%				NZD	
10 year Govt bond		4.66%	4.31%			NZ Carbon	59.35	

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