

Market Alert

Thursday 03 July 2025

CURRENCIES	Spot	6mths
NZD/USD	0.6090	0.0034
NZD/AUD	0.9246	0.0015
NZD/JPY	87.460	-1.24
NZD/EUR	0.5161	-0.0032
NZD/GBP	0.4468	0.0021
NZD/CNH	4.3479	-0.0359
AUD/USD	0.6585	0.0025
AUD/EUR	0.5580	-0.0044
EUR/USD	1.1800	0.0136
USD/CNH	7.1619	-0.0982
GBP/USD	1.3628	0.0011
EUR/GBP	0.8656	0.0093

INT RATES	NZ	Australia
OCR/Cash	3.25%	3.85%
90 day bills	3.29%	3.64%
2 year swap	3.16%	3.16%
10 year Govt	4.56%	4.25%

The good, the bad, and the ugly

... the good ... Australian retail sales grew 0.2% in May ... the bad ... 0.4% had been expected. Building permits also grew, at 3.2% against an expected 4.8%, although the Australian industry index fell by 1.8pips to -11.9 in June. Breaking it down, sales activity improved slightly to -15.6, employment also improved, rising 6.6 points to -1.9, although new orders dipped slightly to -13.8.

And finally, the ugly, UK bond markets collapsed overnight after the government backed down on its flagship welfare reforms. Initially intended to save the taxpayer GBP5.5bn, the amended bill, was then adjusted 3-times and will now actually cost the taxpayer an extra GBP100m. This saw the Chancellor, Rachel Reeves, breakdown in tears on the front bench, while PM Keir Starmer declined to say whether she will remain

in her post. With the IMF circling amid suggestions they will need to bail out the entire economy, 10-year gilt yields surged 16bps to the 4.62% level as the fiscal uncertainty weighed on investor appetite.

And while the UK struggles as it attempts to re-balance its deficit, the US President has been harassing Republican House dissidents to pass the Big Beautiful Bill which will increase the US deficit by some USD4trn-USD5trn. Yes, that's right... not billions, trillions!

Like gilts, US treasury yields also gapped higher on deficit talk, which saw the 2-years firm 1bps to 3.80%, while the 10-years jumped 4bps to 4.29%. This provided a modicum of support for the USD-index, with most currencies flatlining against the USD, apart from the GBP which was dumped.

Breaking the overnight releases down

- US private businesses unexpectedly shed 33k jobs in June, the first decline since March 2023! Expectations had been for a gain of 95k, while May's hiring was downgraded to 29k.

- Against this, the US challenger job numbers, which provides information on corporate layoffs, fell to its lowest level in a year with 48k redundancies, the lowest so far this year and a 49% decrease from May's 94k of job cuts.

- Eurozone unemployment increased from 6.2% to 6.3%.

- The Fed's Thomas Barkin announced, "There is no urgency to change policy at the moment."

Back to the tariffs ...

... Canada's US ambassador and chief negotiator announced, "Canada is still aiming to get all of Trump's tariffs lifted. I remained confident the country can get the levies cancelled as part of negotiations for a new economic and security partnership." President Trump announced, "I'm not thinking about extending the tariffs," before threatening to impose a 35.0% tariff on imports from Japan given the country's unwillingness to accept US-made cars and rice! He then announced the US has struck a trade deal with Vietnam with a 20% tariff ... and a 40% tariff on products that originate in another country and are then transferred to Vietnam for final shipment to the US!

Treasury Secretary Scott Bessent announced, "It's a little bewildering' that tariffs wouldn't push Fed towards a cut." Asked if he thinks the Fed will lower rates by the fall, he then added, "I think they could do it sooner than then, but certainly by September."

The best of the rest ...

It's taken a while, and you probably heard it here first, but Deutsche Bank has released a paper stating the USD is under pressure as foreign investors "are no longer buying enough US-dollar assets to finance America's huge current account deficit."

Goldman Sachs suggests the S&P rally has room to run – but not for long staving, "We think this rally will continue for the next couple weeks but lose steam into August."



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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	69.90					CAD	0.8275	0.8951
NZD/USD	0.6090	0.0006	0.0018	0.0034	0.0055	CHF	0.4818	0.5213
NZD/AUD	0.9246	0.0004	0.0009	0.0015	0.0023	CNY	4.3506	4.7053
NZD/JPY	87.460	-0.22	-0.63	-1.24	-2.31	DKK	3.8493	4.1635
NZD/EUR	0.5161	-0.0006	-0.0016	-0.0032	-0.0064	FJD	1.3427	1.4524
NZD/GBP	0.4468	0.0004	0.0011	0.0021	0.0036	HKD	4.7790	5.1691
						KRW	824.97	892.32
AU TWI	60.40					MYR	2.5728	2.7828
AUD/USD	0.6585	0.0004	0.0013	0.0025	0.0037	NOK	6.1253	6.6254
AUD/NZD	1.0809	-0.0005	-0.0012	-0.0020	-0.0032	SEK	5.7919	6.2648
AUD/JPY	94.46	-0.28	-0.78	-1.52	-2.75	SGD	0.7747	0.8379
AUD/EUR	0.5580	-0.0009	-0.0023	-0.0044	-0.0083	TWD	17.62	19.06
AUD/GBP	0.4829	0.0002	0.0007	0.0014	0.0025	ZAR	10.69	11.57
USD Index	96.80					EQUITIES		
EUR/USD	1.1800	0.0024	0.0071	0.0136	0.0247		Index	
USD/JPY	143.61	-0.50	-1.46	-2.82	-5.03	NZX50	12,784	
GBP/USD	1.3628	0.0002	0.0008	0.0011	0.0009	ASX200	8,598	
EUR/GBP	0.8656	0.0017	0.0047	0.0093	0.0176	Dow Jones	44,468	
USD/CNY	7.1649	-0.0167	-0.0493	-0.0951	-0.1943	S&P 500	6,220	
						FTSE100	8,775	
INTEREST			New Zealand		Australia	DAX 30	23,790	
RATES			Mid		Mid	Nikkei	39,762	
30 day bank bills			3.33%		3.65%	COMMODITIES		
90 day bank bills			3.29%		3.64%		USD	
1 year swap			3.13%		3.24%	Brent Crude	68.91	
2 year swap			3.20%		3.17%	Gold	3,357.41	
3 year swap			3.31%		3.24%	Silver	36.56	
5 year swap			3.56%		3.64%	Iron Ore	93.41	
10 year swap			4.07%		4.12%	CRB Index	369.48	
3 year Govt bond			3.54%		3.29%		NZD	
5 year Govt bond			3.91%		3.56%	NZ Carbon	57.25	
10 year Govt bond			4.56%		4.25%			

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