

Market Alert

Tuesday 08 July 2025

CURRENCIES	Spot	6mths
NZD/USD	0.6002	0.0036
NZD/AUD	0.9235	0.0017
NZD/JPY	87.640	-1.24
NZD/EUR	0.5120	-0.0032
NZD/GBP	0.4410	0.0020
NZD/CNH	4.3049	-0.0333
AUD/USD	0.6498	0.0027
AUD/EUR	0.5543	-0.0045
EUR/USD	1.1720	0.0143
USD/CNH	7.1780	-0.0997
GBP/USD	1.3610	0.0017
EUR/GBP	0.8609	0.0092
INT RATES	NZ	Australia
OCR/Cash	3.25%	3.85%
90 day bills	3.27%	3.63%
2 year swap	3.13%	3.18%
10 year Govt	4.59%	4.28%

To TACO, or not to TACO ...

President Trump announced that the US would unveil new trade deals and send formal notifications to countries without agreements, outlining their new tariff levels, warning that 12-15 letters would be sent on Monday advising those countries of the new higher tariff rates.

US Commerce Secretary Howard Lutnick then confirmed the new tariffs will take effect on 1 August, with US Treasury Secretary Scott Bessent adding that Trump will notify trading partners that if no agreements are reached, tariffs will revert to the higher 2 April levels starting 1 August. Overnight, Trump was in a tweeting frenzy, imposing a range of tariffs on a raft of countries, including 25.0% tariffs on Japan and South Korea from 1 August. No news is good news ... and there's been no announcements or comments on Australia nor NZ.

While markets seemed to take the news in stride, the USD received a boost when Trump tweeted, *"Any Country aligning themselves with the Anti-American policies of BRICS, will be charged an ADDITIONAL 10% Tariff. There will be no exceptions to this policy."*

Ultimately ... it looks like we're doing Liberation Day all over again, although it was a game of 2 halves, with the NZD and AUD hit hard in our time-zone, while the likes of the JPY, EUR and CAD played catch-up overnight. Most currencies are in the region of -0.5% to -1.0% lower, with the USD-index bouncing back above the 97.00 level. As we all know, this will generate US inflation down the road, which saw US treasury yields firm with the 2 and 10-years gaining 2bps and 4bps to yield 3.91% and 4.39%, respectively. Equity markets were also a 'sea of red', falling -0.75% to -1.25%, while commodities were predominately lower, with copper falling -1.0%, although oil and natural gas prices rose 2.0%!

Looking at the data releases ...

- Eurozone retail sales fell -0.7% in May, which was the steepest decline since August 2023.
- Germany's industrial production rose by 1.2%, beating expectations of flat growth and rebounding from April's revised 1.6% decline.
- UK house prices increased 2.5% in the year to June. It was the lowest decline in 11 months, following on from May's 2.6% rise.
- Japanese real wages dropped 2.9% on-the-year in May, the sharpest fall in nearly

2 years and the 5th consecutive monthly decline in inflation-adjusted wages.

- Australian job advertisements rose 1.8% in June, reaching their highest level in a year led by a 3.2% jump in private-sector vacancies, suggesting that the labour market remains robust.

The FT has an article suggesting Chinese companies are increasingly diverting exports through Southeast Asia to avoid US tariffs, stating *"direct shipments from China to the US fell 43% in May, while exports to Southeast Asia surged 15%, and rose 12% to the EU. Overall, China's exports grew 4.8%."* China also released a plan outlining 14 specific tasks to promote the quality and expansion of the country's domestic service industry and help promote rural revitalization.

It's not the biggest surprise of the day ...

... the NZIER 'Shadow Board' suggested the RBNZ hold rates steady tomorrow. That's why these guys get paid the big bucks!

Goldmans has been in full 'reval mode', updating their H2 forecasts, stating, *"the stronger jobs report confirms a still resilient US labour market, defying, at least for now, the signs of weakness seen in some leading indicators,"* supporting the FOMC's call to maintain a 'wait and see' approach. They are also calling for Brent Crude oil to fall to USD59 in Q4, and to be at USD56 in 2026.

Not content with fighting Iran and Hamas, Israel confirms it has attacked multiple terrorist targets in Yemen!



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Daily Rates

Tuesday 08 July 2025

FX	Spot	FECs (mid)				Spot Mid	
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...
NZ TWI	69.40					CAD	0.8199 0.8878
NZD/USD	0.6002	0.0006	0.0019	0.0036	0.0059	CHF	0.4788 0.5186
NZD/AUD	0.9235	0.0003	0.0010	0.0017	0.0025	CNY	4.3119 4.6710
NZD/JPY	87.640	-0.24	-0.63	-1.24	-2.33	DKK	3.8189 4.1352
NZD/EUR	0.5120	-0.0006	-0.0016	-0.0032	-0.0065	FJD	1.3339 1.4443
NZD/GBP	0.4410	0.0004	0.0010	0.0020	0.0035	HKD	4.7107 5.1008
						KRW	825.04 893.37
AU TWI	59.90					MYR	2.5384 2.7487
AUD/USD	0.6498	0.0004	0.0013	0.0027	0.0046	NOK	6.0697 6.5723
AUD/NZD	1.0827	-0.0005	-0.0013	-0.0022	-0.0040	SEK	5.7075 6.1802
AUD/JPY	94.28	-0.30	-0.78	-1.51	-2.80	SGD	0.7676 0.8312
AUD/EUR	0.5543	-0.0009	-0.0023	-0.0045	-0.0086	TWD	17.45 18.90
AUD/GBP	0.4774	0.0002	0.0006	0.0013	0.0024	ZAR	10.70 11.59
USD Index	97.46					EQUITIES	
EUR/USD	1.1720	0.0026	0.0073	0.0143	0.0261		Index
USD/JPY	146.02	-0.56	-1.50	-2.95	-5.30	NZX50	12,765
GBP/USD	1.3610	0.0002	0.0010	0.0017	0.0026	ASX200	8,589
EUR/GBP	0.8609	0.0017	0.0046	0.0092	0.0173	Dow Jones	44,385
USD/CNY	7.1744	-0.0175	-0.0478	-0.0935	-0.1930	S&P 500	6,216
INTEREST		New Zealand		Australia		FTSE100	8,807
RATES		Mid		Mid		DAX 30	24,074
30 day bank bills			3.33%		3.63%	Nikkei	39,588
90 day bank bills			3.27%		3.63%	COMMODITIES	
1 year swap			3.15%		3.26%		USD
2 year swap			3.18%		3.19%	Brent Crude	69.64
3 year swap			3.29%		3.26%	Gold	3,337.11
5 year swap			3.55%		3.66%	Silver	36.77
10 year swap			4.06%		4.14%	Iron Ore	96.24
3 year Govt bond			3.54%		3.31%	CRB Index	367.96
5 year Govt bond			3.92%		3.58%		NZD
10 year Govt bond			4.59%		4.28%	NZ Carbon	58.60

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