

Market Alert

Wednesday 09 July 2025

CURRENCIES	Spot	6mths
NZD/USD	0.5996	0.0037
NZD/AUD	0.9187	0.0024
NZD/JPY	87.910	-1.28
NZD/EUR	0.5114	-0.0033
NZD/GBP	0.4412	0.0021
NZD/CNH	4.3058	-0.0343
AUD/USD	0.6526	0.0022
AUD/EUR	0.5566	-0.0050
EUR/USD	1.1724	0.0144
USD/CNH	7.1808	-0.1004
GBP/USD	1.3586	0.0019
EUR/GBP	0.8628	0.0093
INT RATES	NZ	Australia
OCR/Cash	3.25%	3.85%
90 day bills	3.27%	3.63%
2 year swap	3.14%	3.30%
10 year Govt	4.62%	4.36%

Well ... that caught everyone out!

Yes, the RBA caught markets off guard by leaving its cash rate unchanged at 3.85%, which was a major surprise given the market was pricing in a ~95% chance of a 25bp cut ahead of the meeting. The move was passed by majority vote, with 6 members in favour and 3 against. The statement highlighted that while inflation has continued to moderate, "With the cash rate 50bps lower than five months ago, and wider economic conditions evolving broadly as expected, the RBA judges that it could wait for a little more information to confirm that inflation remains on track to reach 2.5% on a sustainable basis. There are also uncertainties regarding the lags in the effect of recent monetary policy easing. The risks to inflation have become more balanced and the labour market remains strong."

But, at the end of the day, this outcome merely reflects a matter of timing rather than a policy shift, and while the AUD

and Australian swap rates immediately jumped higher, they have since eased back from their highs. Currently, the AUD is broadly 0.5% higher on its crosses, while Australian swap rates are 8bps-10bps higher than their pre-announcement levels.

Beyond the Australian moves, markets were pretty quiet. The NZD weakened on AUD-cross related selling, with the NZD/AUD currently in its first potential buy-zone for exporters at 0.9185. The USD-index is unchanged. US Treasury yields firmed to their highest levels in a couple of weeks as investors weighed the latest trade developments and took some comfort in the new TACO 1-August deadline for 'reciprocal' tariffs, with the 2-years 1bps higher at 3.91%, while the 10-years firmed 3bps to 4.41%. Equities rallied 0.5%-1.0%, while commodities were also a touch firmer.

Now for today's RBNZ ...

Looking at the releases ...

- US consumer inflation expectations for the year ahead declined to their lowest level in 5-months, falling from May's 3.2% to 3.0% in June.
- US small business confidence eased from 98.8 to 98.6 in June, against forecasts at 98.7.
- The PBoC moved to further open its capital markets by supporting more onshore investors to invest in offshore bonds, as part of broader efforts to liberalise financial flows.
- Australian business confidence improved for a third straight month

firming from 2 to 5, while business conditions jumped from 0 to 9, its highest level since March 2024. The report stated, "While we wouldn't overplay monthly moves, the uptick in trend conditions is welcome given the softening trend through early 2025."

Japanese PM Ishiba confirmed, "There will be no tariff deal because Japan keeps defending what needs to be defended. As a result of past negotiations with the US, we were able to avert hike in tariffs to 30-35%. The US has proposed to continue talks until the new 1-August deadline."

Talk about positioning yourself for the top job ...

... former Fed Reserve Governor, and economic policy adviser to President George W. Bush, Kevin Warsh, suggested, "What the Fed needs is regime change. Regime change means new sets of policies, new way of thinking about economic growth, a new understanding of what really drives inflation and also means new personnel. This isn't 1978 economics anymore, where we think that inflation is caused by high wages. Inflation's caused by the growth of money." For many, young Kevin is considered a front-runner to succeed Fed Chair Jerome Powell!

And talking about Trump, his latest tweets included, "We're doing 50% tariff on copper," "Tariffs will start being paid on 1-August, and there will be no change," and "The tariffs have had ZERO IMPACT on inflation. In fact, a study shows that Import prices are actually DROPPING ... CUT INTEREST RATES JEROME – NOW IS THE TIME!"



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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	69.20					CAD	0.8202 0.8928
NZD/USD	0.5996	0.0006	0.0019	0.0037	0.0061	CHF	0.4773 0.5196
NZD/AUD	0.9187	0.0005	0.0015	0.0024	0.0037	CNY	4.2971 4.6788
NZD/JPY	87.910	-0.23	-0.63	-1.28	-2.39	DKK	3.8147 4.1526
NZD/EUR	0.5114	-0.0006	-0.0015	-0.0033	-0.0066	FJD	1.3313 1.4493
NZD/GBP	0.4412	0.0004	0.0011	0.0021	0.0033	HKD	4.7060 5.1228
						KRW	821.02 893.74
AU TWI	60.30					MYR	2.5401 2.7651
AUD/USD	0.6526	0.0003	0.0010	0.0022	0.0038	NOK	6.0515 6.5875
AUD/NZD	1.0880	-0.0007	-0.0018	-0.0031	-0.0051	SEK	5.7091 6.2148
AUD/JPY	95.59	-0.31	-0.84	-1.65	-2.95	SGD	0.7669 0.8348
AUD/EUR	0.5566	-0.0009	-0.0026	-0.0050	-0.0093	TWD	17.45 18.99
AUD/GBP	0.4802	0.0001	0.0004	0.0009	0.0017	ZAR	10.66 11.61
USD Index	97.54					EQUITIES	
EUR/USD	1.1724	0.0025	0.0072	0.0144	0.0263		Index
USD/JPY	146.62	-0.54	-1.51	-3.02	-5.36	NZX50	12,859
GBP/USD	1.3586	0.0002	0.0010	0.0019	0.0027	ASX200	8,591
EUR/GBP	0.8628	0.0017	0.0047	0.0093	0.0174	Dow Jones	44,228
USD/CNY	7.1738	-0.0168	-0.0473	-0.0938	-0.1913	S&P 500	6,223
						FTSE100	8,854
INTEREST		New Zealand		Australia		DAX 30	24,207
RATES		Mid		Mid		Nikkei	39,689
30 day bank bills			3.33%		3.63%	COMMODITIES	
90 day bank bills			3.27%		3.63%		USD
1 year swap			3.16%		3.41%	Brent Crude	70.29
2 year swap			3.19%		3.31%	Gold	3,302.40
3 year swap			3.31%		3.36%	Silver	36.64
5 year swap			3.57%		3.76%	Iron Ore	95.22
10 year swap			4.09%		4.22%	CRB Index	371.70
3 year Govt bond			3.56%		3.42%		
5 year Govt bond			3.94%		3.68%		NZD
10 year Govt bond			4.62%		4.36%	NZ Carbon	58.30

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