

Market Alert

Thursday 17 July 2025

CURRENCIES	Spot	6mths
NZD/USD	0.5947	0.0035
NZD/AUD	0.9109	0.0024
NZD/JPY	87.920	-1.26
NZD/EUR	0.5109	-0.0032
NZD/GBP	0.4431	0.0020
NZD/CNH	4.2739	-0.0317
AUD/USD	0.6527	0.0021
AUD/EUR	0.5607	-0.0051
EUR/USD	1.1639	0.0143
USD/CNH	7.1800	-0.0959
GBP/USD	1.3419	0.0018
EUR/GBP	0.8671	0.0094
INT RATES	NZ	Australia
OCR/Cash	3.25%	3.85%
90 day bills	3.27%	3.77%
2 year swap	3.16%	3.33%
10 year Govt	4.66%	4.50%

The actual data

Continuing the trend of softer than expected US inflation, US Core and Headline PPIs came in below expectations, printing flat on the month, and at 2.3% and 2.5% on the year respectively. This helped ease some of the concerns from yesterday's CPI release as it appears price pressures on a wholesale perspective remain under control for the moment.

The other releases out of the US included the Fed's Beige Book, which gives a guide on economic activity across the US. The release showed an improvement in economic activity over last month, uncertainty remaining at elevated levels, consumer spending softening slightly in most districts and employment increasing overall. We also had an update on US industrial production, which at 0.3% on the month was better than

expectations, while last month's figure was also revised higher. These indicators were largely as expected and support the Fed's sentiment that the US economy is trudging along just fine and there is currently no need for immediate rate cuts.

On the other side of the Atlantic, inflation continues to run riot, after not too long ago appearing to have been under control. On the year, UK headline and Core CPI increased by 3.6% and 3.7%, above market expectations and accelerating from the previous monthly report, with the headline figure now at the highest levels since January 2024.

The main drivers for the increase in the headline figure were increases in fuel, transport and food prices. This comes after only yesterday the BoE's Catherine Mann informed markets that inflation remains a challenge and that it remains important to use monetary policy to achieve the 2.0% inflation objective. Markets agree and have unwound expectations of interest rate cuts slightly but remain wary of the stagnant UK growth backdrop.

The headline maker!

President Donald Trump has stated the it was likely that pharmaceutical tariffs would be imposed by August 1st, telling reporters that tariffs would be in place *"Probably at the end of the month, and we're going to start off with a low tariff and give the pharmaceutical companies a year or so to build, and then we're going to make it a very high tariff,"* with a similar timeline

for semiconductor tariffs, and that it was *"less complicated"* to impose tariffs on chips.

Trump also made further headlines overnight as a White House official stated that Donald Trump may fire Fed Chair Jerome Powell soon, with initial reports stating that the Republican party supported this decision. As you would expect, the markets were not too pleased with Trump's new spinoff of his original *Apprentice* TV show and what would essentially be the end of the Fed's independence. However, since then Trump, as you would expect, decided to be more statesmanlike, and only decided to call the Fed Chair a *"Knucklehead"*, rather than tell him 'You're Fired!'

So, what happened

Markets initially reacted to the potential of Trump firing Jerome Powell by pushing the US dollar and equities down and sending Treasury yields higher. Following the reversal of that comment, and the subsequent data out of the US, Treasury yields are now slightly lower, with the 10-year down 3bps at 4.45%, while the USD index recovered slightly but remains 0.3% lower at 98.31. The NZD/USD remains unchanged below the 0.5950 level, while the AUD/USD is slightly higher, just below 0.6530, which has seen the NZD/AUD ease further towards the 0.9100 level. Finally, US equities have recovered to be in the green for the day, while gold is slightly higher and oil prices are slightly lower.



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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	68.80					CAD	0.8135 0.8930
NZD/USD	0.5947	0.0006	0.0019	0.0035	0.0057	CHF	0.4760 0.5227
NZD/AUD	0.9109	0.0005	0.0014	0.0024	0.0035	CNY	4.2730 4.6905
NZD/JPY	87.920	-0.22	-0.65	-1.26	-2.33	DKK	3.8126 4.1852
NZD/EUR	0.5109	-0.0006	-0.0016	-0.0032	-0.0064	FJD	1.3234 1.4527
NZD/GBP	0.4431	0.0003	0.0010	0.0020	0.0034	HKD	4.6676 5.1236
						KRW	824.46 905.02
AU TWI	60.50					MYR	2.5211 2.7674
AUD/USD	0.6527	0.0003	0.0011	0.0021	0.0035	NOK	6.0878 6.6826
AUD/NZD	1.0977	-0.0006	-0.0018	-0.0031	-0.0058	SEK	5.7741 6.3383
AUD/JPY	97.01	-0.29	-0.86	-1.62	-3.00	SGD	0.7627 0.8372
AUD/EUR	0.5607	-0.0009	-0.0026	-0.0051	-0.0096	TWD	17.44 19.15
AUD/GBP	0.4863	0.0001	0.0004	0.0009	0.0015	ZAR	10.59 11.63
USD Index	98.31					EQUITIES	
EUR/USD	1.1639	0.0024	0.0073	0.0143	0.0264		Index
USD/JPY	147.85	-0.51	-1.56	-3.00	-5.38	NZX50	12,755
GBP/USD	1.3419	0.0003	0.0010	0.0018	0.0026	ASX200	8,562
EUR/GBP	0.8671	0.0016	0.0047	0.0094	0.0176	Dow Jones	44,255
USD/CNY	7.1791	-0.0167	-0.0479	-0.0913	-0.1810	S&P 500	6,264
						FTSE100	8,927
						DAX 30	24,009
						Nikkei	39,663
INTEREST		New Zealand		Australia		COMMODITIES	
RATES		Mid		Mid			USD
30 day bank bills		3.36%		3.82%		Brent Crude	68.76
90 day bank bills		3.27%		3.77%		Gold	3,348.78
1 year swap		3.12%		3.42%		Silver	37.88
2 year swap		3.17%		3.34%		Iron Ore	96.50
3 year swap		3.30%		3.39%		CRB Index	373.11
5 year swap		3.58%		3.79%			
10 year swap		4.12%		4.26%			
3 year Govt bond		3.55%		3.52%			
5 year Govt bond		3.96%		3.79%			
10 year Govt bond		4.66%		4.50%		NZ Carbon	57.95

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