

Research Markets Today

3 September 2025

Events Round-Up

NZ: Terms of trade index (q/q%), Q2: 4.1 vs. 1.9 exp.
 AU: Current account bal. (\$b), Q2: -13.7 vs. -16.0 exp.
 EC: CPI (y/y%), Aug: 2.1 vs. 2.1 exp.
 EC: CPI core (y/y%), Aug: 2.3 vs. 2.2 exp.
 US: ISM manufacturing, Aug: 48.7 vs. 49.0 exp.

Good Morning

Bonds and equities have been hit as investor appetite for both soured. Global rates are modestly higher across the board and US and European equities are lower, down more than 1%. The USD is broadly stronger, and GBP has underperformed, falling more than 1%. The NZD has fallen to 0.5860 while NZD/GBP is stronger.

Price action was off to a bad start from the European open, with rates jumping higher and headlines that UK 30-year gilt yields had risen to their highest level since 1998 alongside a slump in GBP. The combination of higher rates and a weaker currency is not good, with focus on the next UK Budget and investors losing confidence in the direction of UK fiscal policy. The 30-year yield rose to as high as 5.72%, before closing the session up 5bps to 5.69%. The 10-year rate also rose 5bps, to 4.80%. For reference, the 30-year rate got as high as 5.66% during the 2022 Liz Truss sell-off, although the speed of selling pressure in that episode was more worrisome when yields surged more than 60bps over a couple of trading sessions.

Higher UK rates spilled over into the rest of Europe. France, of course, faces its own pressures due to political instability and worries about the size of the fiscal deficit, while a long-planned reform of the Dutch pension system, which transitions to a new system from 1-January, is causing some anxiety in that market. The respected ECB Governor Schnabel's call for steady interest rates, saying policy may be mildly accommodative, and inflation risks were tilted to the upside didn't help European bond market sentiment either. European 10-year rates rose 4-5bps for the day.

Coming back from a long weekend, US investors were in no mood to support the bond market, seeing red across European markets, a surge in forthcoming corporate debt sales and wondering whether bond supply will need to pick up down the track if tariffs are eventually deemed illegal

by the Supreme Court. The US 30-year rate made a run up towards 5%, before retreating after not quite getting there. Yields are up 4-5bps across the curve with a slight steepening bias. The 10-year rate currently trades at 4.28%.

The backdrop of higher bond yields and strategists highlighting that September is seasonally the worst month of the year for equities, made for a cautious start for September trading in US equity markets. The S&P500 fell as much as 1.5% before attracting some dip-buyers and the loss has faded to just over 1%.

In economic news, the US ISM manufacturing index rose from 48.0 to 48.7, slightly less than the 49.0 expected. The report was mixed, as new orders rose to 51.4, its highest reading since January, while employment remained subdued, barely rising to 43.8. Prices paid fell to 63.7, its lowest level since February, possibly indicating that the impact of tariffs on raw materials has faded, although that doesn't mean the same applies for consumers.

Euro area CPI inflation ticked up to 2.1% y/y in August while the core measure was steady at 2.3%, both at the higher end of consensus. The data reaffirmed market expectations that the ECB will pause the easing cycle, and it could well be finished. ECB policy makers have recently conveyed that message, adding to the chorus that policy is now on hold.

In currency markets, there was early pressure on GBP and losses were sustained, with the currency down more than 1% to 1.3375. The USD showed that it hasn't lost its safe-haven credentials, rising against all the key majors and dollar indices showing gains of 0.6%.

The NZD fell to an overnight low just below 0.5840 and currently trades at 0.5860. The NZD is slightly weaker against AUD and EUR, down to 0.8995 and 0.5035 respectively, while higher global bond yields have seen yen underperformance, and NZD/JPY is slightly higher 87.0. The largest cross movement has been a lift in NZD/GBP to 0.4380.

Gold prices rose to a fresh record high, with the spot price up to USD3530 per troy ounce. Oil prices are also higher, with Brent crude up 1½% to a USD69 handle. Dairy prices fell at the overnight GDT auction, with the price index down 4.3%. Dairy prices often fall at this time of year as the NZ milking season cranks up.

In the domestic rates market, there was upside pressure from the open. Swap rates rose 2-4bps while NZGBs rose 1-5bps, with curves steepening. The 10-year NZGB closed up 5bps to 4.42%. Overnight, Australian bond futures have shown less movement than seen in US and European markets, with the 10-year yield up only about 2bps.

NZ's terms of trade data were much stronger than expected, rising 4.1% q/q in Q2 to a record high. That also meant a stronger than expected contraction in net goods exports, with export volumes falling 3.7% q/q and import volumes rising 4.8%.

On the calendar today, the consensus sees Australian Q2 GDP rising by 0.5% q/q, resulting in annual growth of 1.6% y/y. Tonight sees the release of the JOLTS labour market

report in the US and the Fed's Beige Book, which provides timely anecdotal commentary on the state of the US economy.

jason.k.wong@bnz.co.nz

Coming Up

		Period	Cons.	Prev.	NZT
AU	GDP (q/q%)	Q2	0.5	0.2	13:30
CH	RatingDog PMI services	Aug	52.5	52.6	13:45
US	JOLTS Job Openings	Jul	7,373	7,437	02:00
US	Fed releases Beige Book				06:00

Currencies							Equities					Commodities				
FX Majors		Indicative overnight ranges (*)			Other FX		Major Indices				Price (Near futures, except CRB)					
	Last	% Day	Low	High		Last	% Day		Last	% Day	% Year		Last	Net Day		
NZD	0.5858	-0.7	0.5838	0.5889	CHF	0.8054	+0.6	S&P 500	6,388	-1.1	13.1	Oil (Brent)	69.09	+1.4		
AUD	0.6513	-0.6	0.6484	0.6543	SEK	9.465	+0.8	Dow	45,164	-0.8	8.7	Oil (WTI)	65.57	+2.4		
EUR	1.1630	-0.7	1.1613	1.1706	NOK	10.039	+0.4	Nasdaq	21,215	-1.1	19.8	Gold	3565.4	+2.2		
GBP	1.3376	-1.2	1.3341	1.3533	HKD	7.806	+0.1	Stoxx 50	5,291	-1.4	6.4	HRC steel	795.0	+0.3		
JPY	148.51	+0.9	147.94	148.94	CNY	7.138	+0.0	FTSE	9,117	-0.9	9.0	CRB	302.4	+0.2		
CAD	1.3791	+0.3			SGD	1.289	+0.4	DAX	23,487	-2.3	24.1	Wheat Chic.	528.5	-1.1		
NZD/AUD	0.8994	-0.1			IDR	16,414	-0.0	CAC 40	7,654	-0.7	0.1	Sugar	16.15	-1.3		
NZD/EUR	0.5037	-0.1			THB	32.33	+0.1	Nikkei	42,310	+0.3	9.4	Cotton	64.57	-0.8		
NZD/GBP	0.4379	+0.5			KRW	1,396	+0.1	Shanghai	3,858	-0.4	37.6	Coffee	370.4	-4.1		
NZD/JPY	87.00	+0.2			TWD	30.71	+0.3	ASX 200	8,901	-0.3	9.8	WM powder	3705	-0.3		
NZD/CAD	0.8079	-0.4			PHP	57.51	+0.5	NZX 50	13,133	+0.5	4.8	Australian Futures				
NZ TWI	67.79	-0.4						VIX Index	18.42	+14.3	+18.5	3 year bond	96.54	-0.03		
Interest Rates												7 year bond			95.61	-0.03
												10 year bond			95.61	-0.03
Rates		Swap Yields			Benchmark 10 Yr Bonds		NZ Government Bonds				NZ BKBM and Swap Yields					
	Cash	3Mth	2 Yr	10 Yr		Last	Net Day		Last	Chg		Last	Chg			
USD	4.50	4.85	3.43	3.73	USD	4.28	0.05	15-Apr-27	2.99	0.01	BKBM 1-mth	3.10	0.00			
AUD	3.60	3.57	3.30	4.26	AUD	4.36	0.04	15-May-28	3.21	0.02	BKBM 3-mth	3.00	0.00			
NZD	3.00	3.00	2.90	3.94	NZD	4.42	0.05	20-Apr-29	3.42	0.02	1 year	2.83	0.02			
EUR	2.00	2.07	2.10	2.72	GER	2.79	0.04	15-May-30	3.63	0.02	2 year	2.90	0.02			
GBP	4.00	4.29	3.78	4.25	GBP	4.80	0.05	15-May-31	3.85	0.03	3 year	3.05	0.03			
JPY	0.48	-0.03	0.86	1.45	JPY	1.62	-0.01	15-May-32	4.04	0.03	5 year	3.35	0.03			
CAD	2.75	4.97	2.53	3.13	CAD	3.45	0.07	14-Apr-33	4.18	0.04	7 year	3.63	0.04			
								15-May-34	4.32	0.04	10 year	3.94	0.04			
								15-May-35	4.42	0.05	15 year	4.24	0.05			
								15-May-36	4.53	0.04	NZ Inflation-Indexed Bonds					
								15-May-37	4.66	0.05	Sept-30	1.82	0.04			
								15-May-41	4.98	0.05	Sept-35	2.62	0.05			
								15-May-51	5.25	0.05	Sept-40	3.04	0.05			
								15-May-54	5.28	0.05						
* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer																
Rates are as of: NZT 06:54																
Source: Bloomberg																

* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer

Rates are as of: NZT 06:54

Source: Bloomberg

NZD exchange rates

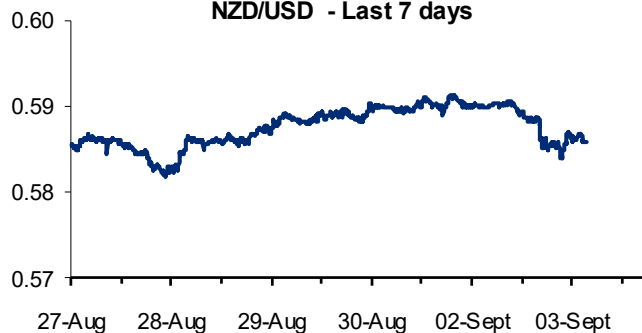
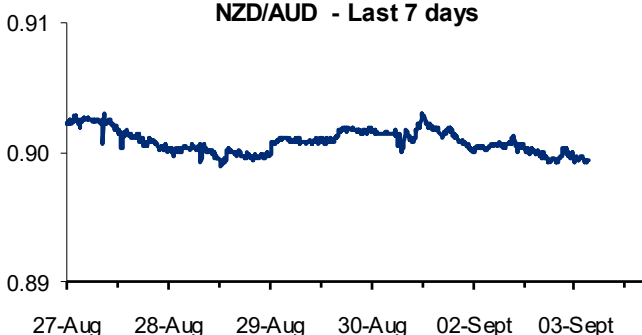
3/09/2025	6:55 am	Prev. NY close
USD	0.5858	0.5900
GBP	0.4379	0.4356
AUD	0.8994	0.9005
EUR	0.5037	0.5038
JPY	87.00	86.84
CAD	0.8079	0.8113
CHF	0.4718	0.4723
DKK	3.7587	3.7601
FJD	1.3271	1.3388
HKD	4.5727	4.6001
INR	51.64	52.04
NOK	5.8810	5.8994
PKR	165.04	166.22
PHP	33.70	33.76
PGK	2.4327	2.4141
SEK	5.5445	5.5411
SGD	0.7552	0.7577
CNY	4.1816	4.2112
THB	18.97	19.07
TOP	1.3607	1.3974
VUV	70.15	70.50
WST	1.5922	1.6058
XPF	59.97	60.19
ZAR	10.3750	10.3943

NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	6.57	6.72
3 Months	18.97	19.47
6 Months	36.50	37.49
9 Months	51.56	53.28
1 Year	62.95	65.95

NZD/AUD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	5.16	5.57
3 Months	15.23	16.38
6 Months	30.20	32.77
9 Months	44.09	48.60
1 Year	57.46	64.82

NZD/USD - Last 7 days**NZD/AUD - Last 7 days****NZD/USD - Last 12 months****NZD/AUD - Last 12 months**

Contact Details

BNZ Research

Stephen Toplis
Head of Research

Doug Steel
Senior Economist

Jason Wong
Senior Markets Strategist

Stuart Ritson
Senior Interest Rate Strategist

Matt Brunt
Economist

Mike Jones
BNZ Chief Economist
+64 9-956 0795

Main Offices

Wellington
Level 2, BNZ Place
1 Whitmore Street
Wellington Mail Centre
Lower Hutt 5045
New Zealand
Toll Free: 0800 283 269

Auckland
80 Queen Street
Private Bag 92208
Auckland 1142
New Zealand
Toll Free: 0800 283 269

Christchurch
111 Cashel Street
Christchurch 8011
New Zealand
Toll Free: 0800 854 854

This document has been produced by Bank of New Zealand (BNZ). BNZ is a registered bank in New Zealand and is only authorised to offer products and services to customers in New Zealand.

Analyst Disclaimer: The Information accurately reflects the personal views of the author(s) about the securities, issuers and other subject matters discussed, and is based upon sources reasonably believed to be reliable and accurate. The views of the author(s) do not necessarily reflect the views of the NAB Group. No part of the compensation of the author(s) was, is, or will be, directly or indirectly, related to any specific recommendations or views expressed.

BNZ maintains an effective information barrier between the research analysts and its private side operations. Private side functions are physically segregated from the research analysts and have no control over their remuneration or budget. The research functions do not report directly or indirectly to any private side function. The Research analyst might have received help from the issuer subject in the research report.

New Zealand: The information in this publication is provided for general information purposes only, and is a summary based on selective information which may not be complete for your purposes. This publication does not constitute any advice or recommendation with respect to any matter discussed in it, and its contents should not be relied on or used as a basis for entering into any products described in it. Bank of New Zealand recommends recipients seek independent advice prior to acting in relation to any of the matters discussed in this publication.

Any statements as to past performance do not represent future performance, and no statements as to future matters are guaranteed to be accurate or reliable.

Neither Bank of New Zealand nor any person involved in this publication accepts any liability for any loss or damage whatsoever which may directly or indirectly result from any advice, opinion, information, representation or omission, whether negligent or otherwise, contained in this publication.

USA: If this document is distributed in the United States, such distribution is by nabSecurities, LLC. This document is not intended as an offer or solicitation for the purchase or sale of any securities, financial instrument or product or to provide financial services. It is not the intention of nabSecurities to create legal relations on the basis of information provided herein.