

Research Markets Today

11 December 2025

Events Round-Up

CH: PPI (y/y%), Nov: -2.2 vs. -2.0 exp.

CH: CPI (y/y%), Nov: 0.7 vs. 0.7 exp.

US: Employment cost index (q/q%), Q3: 0.8 vs. 0.9 exp.

CA: Bank of Canada policy rate (%), Dec: 2.25 vs. 2.25 exp.

Good Morning

Market movements have been modest in the lead-up to the US Fed's policy announcement due at 8am NZ time. Heading into the meeting, US equities are flat, US Treasury yields are trading at the bottom of their range for the day, and the USD is broadly weaker, although moves haven't been significant.

A third consecutive 25bps rate cut is widely expected by the Fed and is well-priced. However, most anticipate the decision to be a "hawkish cut", with the possibility of several members dissenting in favour of leaving rates unchanged. The dot plot is likely to indicate just one rate cut next year, and Chair Powell is unlikely to signal another imminent cut in early 2026. The market prices the next full rate cut by about mid-2026, so the market seems well prepared for a pause in the easing cycle.

The US 10-year rate pushed up through a three-month high of 4.20% during the European trading session before steadily falling to 4.16% during the US trading session, leaving it a couple of basis points lower from the NZ close. The 2-year rate followed a similar path. The US employment cost index rose 0.8% q/q in Q3, slightly weaker than expected, leaving annual wage inflation at a four-year low of 3.6% and supporting the narrative that the labour market isn't much of a concern as a source of inflationary pressure.

The Bank of Canada held its policy rate steady at 2.25%, as expected. The policy statement conveyed a neutral tone with the Governing Council seeing "the current policy rate at about the right level to keep inflation close to 2%", aligning with market expectations that policy is likely to remain on hold for some time. There was little net impact on the CAD and rates from the announcement.

In a speech, ECB President Lagarde indicated that the central bank would probably lift its growth forecasts, at its policy announcement next week, echoing recent

comments by GC member Schnabel. She repeated her line that policy is in a good place, with inflation close to 2% and describing the economy as being quite close to potential. Her comments supported a small lift in rates at the short end of the curve, with Germany's 2-year rate up 2bps against a small fall in the 10-year rate. The market prices ECB policy on hold for some time and about a 40% chance of a rate hike by the end of next year.

In currency markets, the USD is slightly weaker heading into the Fed's rate decision. After weakening somewhat during NZ afternoon trading, the NZD recovered thereafter, meeting some resistance just under 0.5790 overnight. NZD/AUD has recovered back up through 0.87. Net NZD cross rate movements have been small.

In the domestic rates market, NZ rates were driven up following higher Australian rates post the RBA announcement after the NZ close on Tuesday, as well as the market still trying to find the right level in the wake of the recent RBNZ MPS. The belly of the swaps curve led the movement higher in rates, with the 5-year rate up 9bps to 3.75%, its highest level since March. The 2-year rate rose 6bps to 3.12% while the 10-year rate rose 4bps to 4.22%. There was significant curve flattening in the NZGBs market, with rates up 6-7bps at the short end, the 10-year rate up 4bps and the ultra-long bonds down 3bps.

After a closed-door introductory Q&A session between RBNZ Governor Breman and journalists, a stream of media reports followed. Breman repeated her mantra that the RBNZ will maintain a "laser focus" on its core mandate of keeping inflation low and stable. Regarding the outlook her comments were consistent with the RBNZ's neutral bias, saying "importantly, there is no preset course for monetary policy". And, while inflation will be coming toward the mid-point of the target range, she noted current risks both to the upside and downside.

On the economic calendar, NZ business data will be released, giving the opportunity to fine-tune Q3 GDP estimates. GDP will be released next week and it currently looks like coming in stronger than the RBNZ's MPS estimate of 0.4% q/q. Australia's labour market data will be crucial for policy expectations, while only second-tier US data are released tonight.

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Coming Up

		Period	Cons.	Prev.	NZT
US	Fed Funds rate (upper bd %)	Dec	3.75	4.0	08:00
NZ	Business financial data	Q3			10:45
AU	Employment change (k)	Nov	20	42	13:30
AU	Unemployment rate (%)	Nov	4.4	4.3	13:30
UK	BOE Governor Bailey speaks				22:50
US	Initial jobless claims (k)	6-Dec	220	191	02:30
US	Trade balance (USDbn)	Sep	-63.0	-59.6	02:30

Currencies					Equities					Commodities				
FX Majors		Indicative overnight ranges (*)			Other FX		Major Indices			Price (Near futures, except CRB)				
	Last	% Day	Low	High		Last	% Day	% Year		Last	Net Day			
NZD	0.5787	+0.1	0.5775	0.5789	CHF	0.8024	-0.5	S&P 500	6,842	+0.0	13.4	Oil (Brent)	61.82	-0.2
AUD	0.6643	+0.0	0.6629	0.6654	SEK	9.305	-0.6	Dow	47,734	+0.3	7.9	Oil (WTI)	58.14	-0.2
EUR	1.1655	+0.2	1.1628	1.1658	NOK	10.134	-0.2	Nasdaq	23,509	-0.3	19.4	Gold	4200.1	-0.2
GBP	1.3341	+0.3	1.3302	1.3346	HKD	7.782	-0.0	Stoxx 50	5,708	-0.2	15.3	HRC steel	906.0	-0.4
JPY	156.31	-0.4	156.26	156.89	CNY	7.068	+0.1	FTSE	9,656	+0.1	16.6	CRB	299.6	-0.6
CAD	1.3831	-0.1			SGD	1.295	-0.2	DAX	24,130	-0.1	18.7	Wheat Chic.	527.5	-1.4
NZD/AUD	0.8711	+0.1			IDR	16,688	+0.1	CAC 40	8,023	-0.4	8.5	Sugar	14.93	+1.8
NZD/EUR	0.4965	-0.2			THB	31.82	-0.1	Nikkei	50,603	-0.1	28.5	Cotton	63.94	+0.1
NZD/GBP	0.4338	-0.2			KRW	1,470	+0.0	Shanghai	3,900	-0.2	14.0	Coffee	372.0	+0.9
NZD/JPY	90.46	-0.3			TWD	31.20	+0.0	ASX 200	8,579	-0.1	2.7	WM powder	3180	-0.8
NZD/CAD	0.8004	+0.0			PHP	59.24	+0.1	NZX 50	13,371	-0.6	4.8	Australian Futures		
NZ TWI	66.96	+0.0						VIX Index	17.03	+0.6	+20.1	3 year bond	95.77	-0.06
												10 year bond	95.21	0.00
Interest Rates					NZ Government Bonds					NZ BKBM and Swap Yields				
Rates		Swap Yields			Benchmark 10 Yr Bonds			Last			Chg			
	Cash	3Mth	2 Yr	10 Yr		Last	Net Day		Last	Chg		Last	Chg	
USD	4.00	4.85	3.39	3.75	USD	4.16	-0.03	15-Apr-27	2.87	0.06	BKBM 1-mth	2.41	0.00	
AUD	3.60	3.72	4.11	4.86	AUD	4.81	0.05	15-May-28	3.36	0.06	BKBM 3-mth	2.49	0.00	
NZD	2.25	2.49	3.12	4.22	NZD	4.53	0.04	20-Apr-29	3.61	0.07	1 year	2.74	0.04	
EUR	2.00	2.09	2.31	2.90	GER	2.85	0.00	15-May-30	3.85	0.06	2 year	3.12	0.06	
GBP	4.00	4.11	3.58	4.04	GBP	4.51	0.00	15-May-31	4.08	0.06	3 year	3.40	0.08	
JPY	0.48	-0.03	1.05	1.76	JPY	1.96	-0.01	15-May-32	4.23	0.05	5 year	3.75	0.09	
CAD	2.25	4.97	2.55	3.20	CAD	3.43	-0.03	14-Apr-33	4.33	0.05	7 year	3.98	0.07	
								15-May-34	4.45	0.04	10 year	4.22	0.04	
								15-May-35	4.53	0.04	15 year	4.50	0.03	
								15-May-36	4.61	0.04	NZ Inflation-Indexed Bonds			
								15-May-37	4.70	0.03	Sept-30	1.76	0.07	
								15-May-41	4.98	0.02	Sept-35	2.57	0.07	
								15-May-51	5.21	-0.03	Sept-40	2.98	0.06	
								15-May-54	5.20	-0.03				

* These are indicative ranges from 5pm NZT;

please confirm rates with your BNZ dealer

Rates are as of: NZT 06:42

Source: Bloomberg

NZD exchange rates

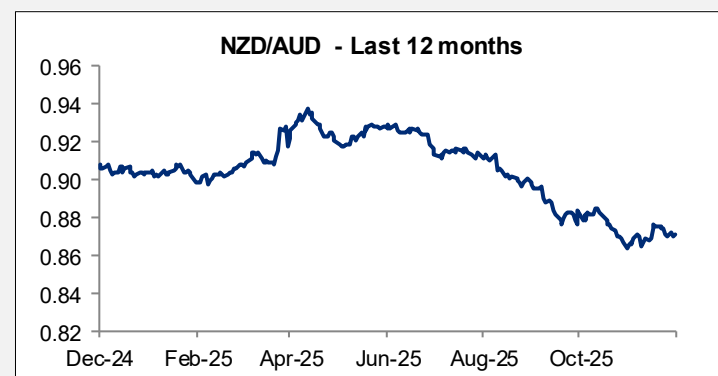
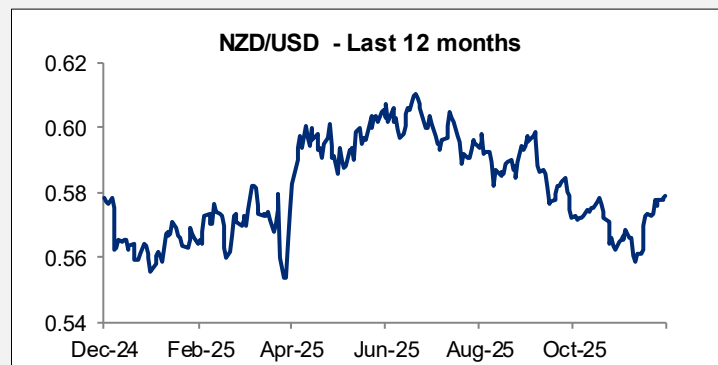
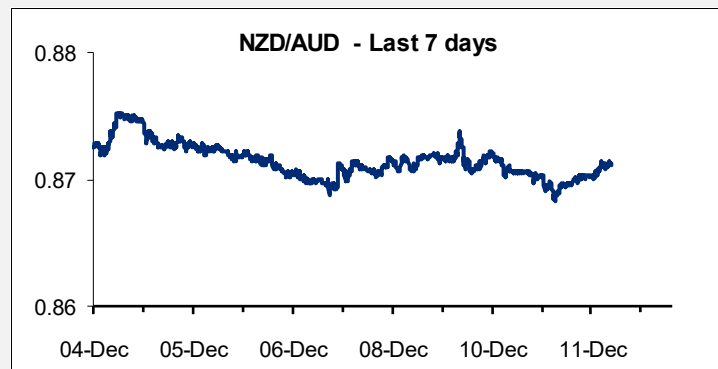
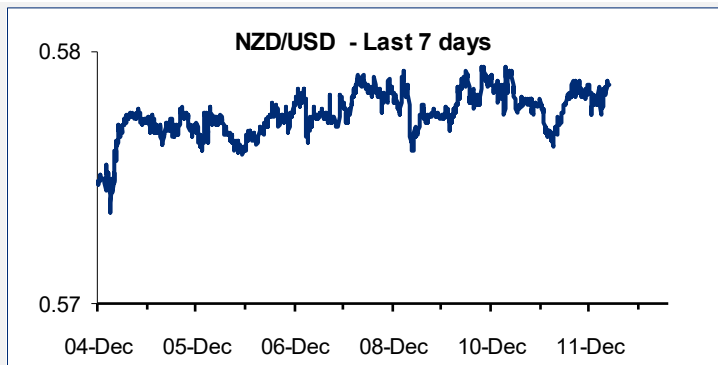
11/12/2025	6:42 am	Prev. NY close
USD	0.5787	0.5781
GBP	0.4338	0.4348
AUD	0.8711	0.8704
EUR	0.4965	0.4972
JPY	90.46	90.69
CAD	0.8004	0.8004
CHF	0.4644	0.4661
DKK	3.7096	3.7134
FJD	1.3215	1.3190
HKD	4.5008	4.4991
INR	52.04	51.96
NOK	5.8660	5.8694
PKR	162.15	162.08
PHP	34.26	34.22
PGK	2.4550	2.4548
SEK	5.3860	5.4141
SGD	0.7491	0.7501
CNY	4.0881	4.0835
THB	18.40	18.41
TOP	1.3808	1.3800
VUV	70.31	70.29
WST	1.6132	1.6132
XPF	59.41	59.43
ZAR	9.8309	9.8590

NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	7.03	7.36
3 Months	19.99	20.46
6 Months	37.81	38.81
9 Months	50.12	51.89
1 Year	56.19	58.61

NZD/AUD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	9.40	10.06
3 Months	28.57	29.76
6 Months	59.58	62.31
9 Months	90.97	95.59
1 Year	118.66	126.25



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