

Research Markets Today

13 October 2025

Events Round-Up

NZ: Manufacturing PMI, Sep: 49.9 vs. 49.9 prev.
CA: Unemployment Rate, Sep: 7.1 vs. 7.2 exp.
US: U. of Mich. consumer sent., Oct: 55.0 vs. 54.0 exp.
US: U. of Mich. 5-10 Yr inflation exp., Oct: 3.7 vs. 3.7 exp.

Good Morning

Risk sentiment took a major dive during the overnight Friday trading session as the US-China trade détente abruptly ended. US equities tumbled, alongside a strong rally in US Treasuries that sent the 10-year rate towards 4%. FX safe-havens JPY and CHF outperformed, while the AUD was whacked the hardest. The NZD fell to around 0.5720 and was weaker on the key crosses apart from a decent bounce in NZD/AUD to 0.8835. Oil prices tumbled while gold recovered back above USD4000. US-China trade war escalation sets the scene for some volatile trading conditions through the rest of the month.

There has been plenty of news to digest since the NZ market closed on Friday, with more political turmoil in Japan, a blow-up in US-China trade relations, forthcoming mass sackings of US government workers and ex-French PM Lecornu getting his job back.

The biggest hit to the market followed a long social media post by President Trump in response to China's move on Thursday to substantially expand its rare earth export controls. China extended licensing requirements to more elements and magnets, along with processing equipment and downstream products, effective from 1 December. The new rules specified that any good for which more than 0.1% of the value comes from controlled rare earths required a licence to be exported, encompassing intermediate goods such as semiconductors and EV motors. The new export controls would also apply to foreign companies manufacturing outside of China.

We didn't report that news last week as we simply saw it as China posturing ahead of the expected meeting between Presidents Xi and Trump later this month.

In the event, Trump was clearly not happy and he responded with a very long social media post that outlined the grievance China would be imposing on many countries with its tightened export controls and that he no longer

saw a reason to meet Xi. Trump threatened a "massive increase" for Chinese import tariffs, which triggered a significant market response. No doubt Trump was also smarting from the fact that China had also stopped purchases of US soybeans this season, and that was having a major impact on soybean farmers.

It was only after the market close that Trump said China would face an additional 100% tariff, effective 1 November (taking new tariffs to about 130%) and that the US would impose "export controls on any and all critical software". Trump later told reporters that he could retreat from the new tariffs "that's why I made it Nov 1st" and that it was still possible he could meet Xi later this month.

With tariffs recently out of the spotlight, the new threat was a shot out of the blue that roiled markets and it sent US equities spiralling downwards, resulting in the S&P500 closing on its lows for the session down 2.7%, unravelling its gains of the past month. There was an even larger 3.6% plunge in the Nasdaq. The market also had to contend with the news that amidst the US government shutdown, the White House kicked off the process of permanently laying off federal workers. Court documents were filed that outlined cuts to at least 4,100 workers and Trump told reporters "we'll announce the numbers over the next couple of days, but it'll be a lot of people".

The asset allocation to safe havens drove down US Treasury yields, with the 2-year closing down 9bps to 3.50% and the 10-year closing down 11bps to 4.03%, both rates near their lows for the session. The market also saw two more Fed rate cuts almost as a given, with 24.5bps priced for the October meeting and a cumulative 49bps priced by the December meeting.

Industrial commodity prices tumbled, with copper trading in NY down 4½% and oil prices down around 4%, with Brent crude at USD62.70 per barrel. Reflecting its safe haven characteristics, spot gold prices rose over 1% to USD4017, shy of the USD4059 peak earlier in the week. By contrast, bitcoin was whacked hard, plunging over 10% to a low of USD105k, triggered by record "liquidations". The market has since settled and bitcoin trades around USD111k this morning.

In currency markets the AUD was the hardest hit, given its strong links to China, falling 1.4% during the Friday night session to 0.6475. By comparison, the NZD fell by "only" 0.6% over the same period to a fresh six-month low

around 0.5720. NZD/AUD showed an unusually large response to news not emanating out of NZ or Australia, closing the week around 0.8835, with the move likely exaggerated by closing of long AUD/NZD positions that had only just been put on after the RBNZ's dovish cut earlier in the week. A week ago, no one would have predicted that NZD/AUD would close the week a touch higher on a dovish 50bps cut by the RBNZ.

Within the commodity currency sphere, a stronger than expected Canadian employment report saved CAD from any net loss on Friday, with the market paring back the chance of a BoC rate cut at its late-October meeting to a less than even chance. NZD/CAD traded a fresh six-month low just above 0.80.

For the yen, its safe-haven characteristics trumped concern over Japanese political instability, Japan political uncertainty entered a new phase after talks broke down between the LDP and its long-standing junior coalition partner Komeito. Komeito's leader said the party would not back new LDP leader Takaichi as the next PM, although support on specific policies was still possible. Takaichi will now have to scramble to form a new coalition (minority?) government and there is no guarantee that she will be successful in becoming the next PM. After trading above 153 through much of the NZ trading session, USD/JPY closed the week at 151.20, with NZD/JPY tumbling around 1½% to 86.5. Despite its rebound, the yen still ended up being the weakest currency major by far for the week.

CHF also outperformed, and it was also interesting to see EUR and GBP show modest gains Friday night. This

resulted in NZD/EUR probing a fresh 15-year low of 0.4920, while the April low of 0.4281 held for NZD/GBP, but only just. After markets had closed for the weekend, French President Macron renamed Lecornu as PM and gave him a shot at forming a cabinet and passing a budget. Bon chance Monsieur Lecornu.

The domestic rates market had a quiet end to the week, with NZGB yields closing up 2-4bps on global forces while swap rates rose 2-3bps. During the Friday night session, the Australian 10-year bond future fell 8bps in yields terms and that will set the scene for the NZ market on the open.

In the day ahead NZ's performance of services index and net migration data will be released, ahead of Chinese trade data later this afternoon. The US bond market will be closed for Columbus Day but the NYSE will be open. The US government shutdown means that US CPI, PPI and retail sales data that were due this week will not be released. Key global releases this week include UK and Australian labour market data.

jason.k.wong@bnz.co.nz

Coming Up

		Period	Cons.	Prev.	NZT
NZ	Performance of services index	Sep		47.5	10:30
NZ	Net migration	Aug		2060	10:45
CH	Exports (USD, y/y%)	Sep	6.6	4.4	
CH	Imports (USD, y/y%)	Sep	1.9	1.3	

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NZD exchange rates

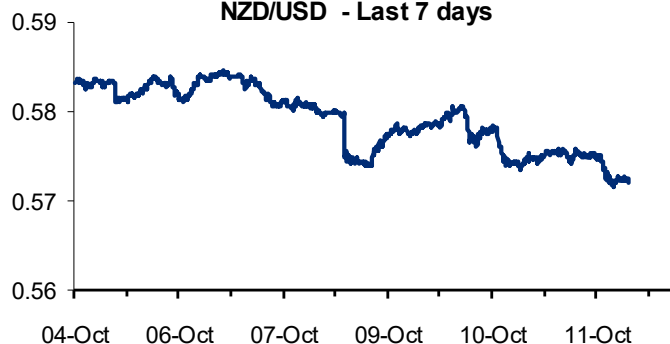
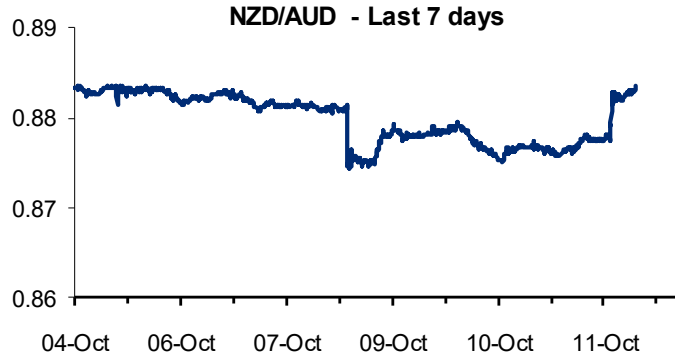
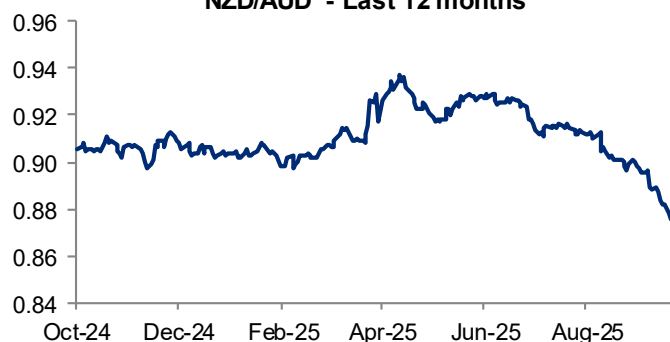
11/10/2025	NY close	Prev. NY close
USD	0.5722	0.5745
GBP	0.4284	0.4318
AUD	0.8836	0.8763
EUR	0.4923	0.4968
JPY	86.51	87.94
CAD	0.8012	0.8054
CHF	0.4576	0.4632
DKK	3.6781	3.7094
FJD	1.2945	1.3039
HKD	4.4541	4.4709
INR	50.76	51.01
NOK	5.7925	5.7805
PKR	161.05	161.67
PHP	33.35	33.48
PGK	2.3727	2.4028
SEK	5.4417	5.4782
SGD	0.7422	0.7467
CNY	4.0835	4.0962
THB	18.73	18.72
TOP	1.3285	1.3367
VUV	69.84	69.74
WST	1.5730	1.5814
XPF	58.77	58.82
ZAR	10.0178	9.8902

NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	7.57	7.77
3 Months	22.10	22.60
6 Months	40.88	41.92
9 Months	57.68	59.69
1 Year	71.12	73.68

NZD/AUD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	8.02	8.49
3 Months	25.63	26.65
6 Months	51.89	54.83
9 Months	78.70	83.14
1 Year	102.58	111.90

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

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