

Research Markets Today

16 December 2025

Events Round-Up

NZ: Performance of services index, Nov: 46.9 vs. 48.4 prev.
 JN: Tankan large mfg index, Q4: 15 vs. 15 exp.
 CH: Retail sales (y/y%), Nov: 1.3 vs. 2.9 exp.
 CH: Industrial production (y/y%), Nov: 4.8 vs. 5.0 exp.
 CH: Investment (YTD y/y%), Nov: -2.6 vs. -2.3 exp.
 EA: Industrial production(m/m%), Oct: 0.8 vs. 0.8 exp.
 CA: CPI (y/y%), Nov: 2.2 vs. 2.3 exp.
 CA: CPI core (avg med/trim, y/y%), Nov: 2.8 vs. 2.9 exp.
 US: Empire manufacturing, Dec: -4 vs. 10 exp.
 US: NAHB housing market index, Dec: 39 vs. 38 exp.

Good Morning

Ahead of a busy week before Christmas, including the key US employment report tonight, market movements have been modest. US equities are slightly softer in early afternoon trading, global rates are flat to down slightly, and currency moves have been modest. The NZD has recovered much of the loss seen after an unexpected statement from RBNZ Governor Breman that sent interest rates lower.

Fed speakers continue to do the rounds following last week's policy update. Fed Governor Miran, who has repeatedly voted for steps of 50bps cuts, advocates a faster pace of easing because "experience suggests that labour market deterioration can occur quickly and nonlinearly and be difficult to reverse". Given policy lags, he wants to get to neutral faster. He also suggested a benign outlook for inflation, with disinflation in housing services countering elevated inflation for goods. NY Fed President Williams said after monetary policy had moved toward neutral, it "is well positioned as we head into 2026".

The US NAHB housing market index edged up to an eight-month high of 39 in November but remains well below the long run average of 50. The Empire manufacturing survey was weaker but is too volatile to suggest anything, although of note the pricing indicators softened to levels not seen since earlier this year.

US Treasuries have traded tight ranges overnight, with the 10-year rate oscillating between 4.15-4.18% and currently

little changed from the NZ close. European and Canadian rates are slightly lower.

Canadian CPI data were slightly softer than expected, with headline annual inflation steady at 2.2% and both core measures edging down to 2.8%. The data did nothing to sway market expectations that the Bank of Canada will be on hold for an extended period.

Key China monthly economic indicators for November were weaker than expected, including a tepid 1.3% y/y gain in retail sales and fixed investment contracting at a faster pace. Market reaction was limited to the extent that China's economic weakness is well-acknowledged and the government policy will be supportive to counteract any further slide.

Oil prices have fallen to a two-month low, not helped by the softer Chinese data and possible optimism that a deal can be done to end the Russia-Ukraine war. Brent crude is down about 1½%, trading just over USD60 per barrel.

Net currency movements since last week's close have been modest. The NZD has recovered much of its loss following RBNZ Governor Breman's surprise statement yesterday afternoon (see below). After falling to a low of 0.5766 after the NZ close, the NZD grinded back up through 0.58 and it currently sits just below the figure. The AUD has been oscillating in a tight range and is currently 0.6640. NZD/AUD has recovered to 0.8720 after falling to just over 0.8680. NZD crosses against EUR and GBP haven't fully recovered. JPY is the strongest of the majors from Friday's close, albeit with an insignificant gain of 0.3%. NZD/JPY has sustained a move back below 90.

In yesterday's RBNZ press statement with comments from Governor Breman, which came out of the blue, she reiterated the view espoused in the November MPS, including the implied rate track being consistent with the OCR remaining at 2.25% for some time. She added that "Financial market conditions have tightened since the November decision, beyond what is implied by our central projection for the OCR". While this statement was factual, the market took the view that Breman was sending a clear message of some discomfort with the post November MPS market reaction, which had seen rates sharply higher, including the 2-year swap rate up over 50bps.

In a later broadcasted interview with 1News she said, "The purpose of cutting the OCR is to provide support for the

economy, and that's what we want to see happening... if the banks hike mortgages and that reduces growth, we have to take that into consideration."

Breman's statement sent rates lower. The 2-year swap rate had traded as high as 3.12% in the morning and by the close it had fallen to 3.03%, down 5bps on the day. The swaps curve was steeper, with the 5-year rate down 4bps and the 10-year rate down 1bp. As mortgage paying activity drops off during the Christmas period, swap rates have scope to fall further, led by the short end.

NZGBs showed a similar curve steepening, with rates down 8bps at the very short end, the 10-year rate down 2bps to 4.49% and the ultra-long bonds flat to slightly higher.

The economic calendar over the next 24 hours is packed. Domestically, we'll be interested in the monthly CPI indicators for November and the government's half year economic and fiscal update. The key release tonight will be the US employment report, where the consensus sees a softer labour market and the unemployment rate ticking up to 4.5%. UK labour market data, global PMIs and US retail sales data are also released.

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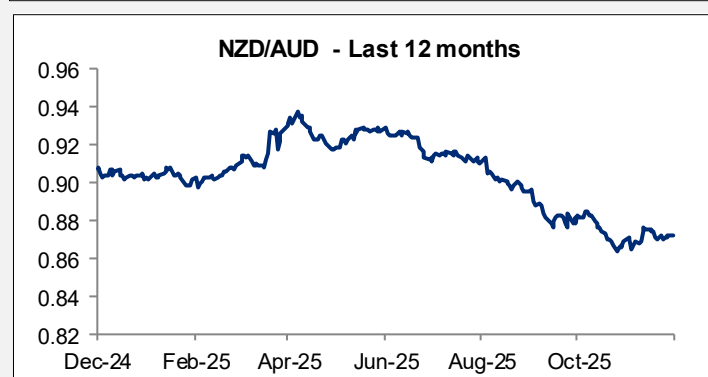
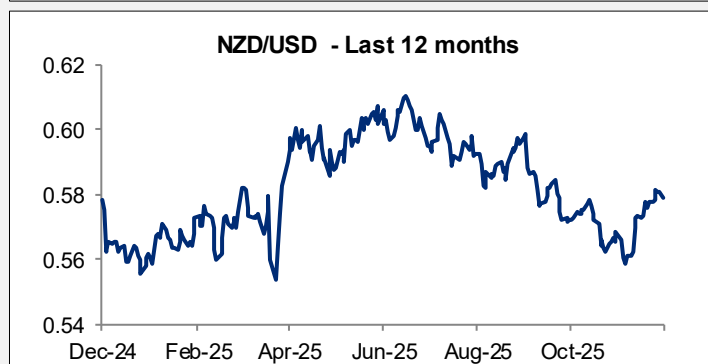
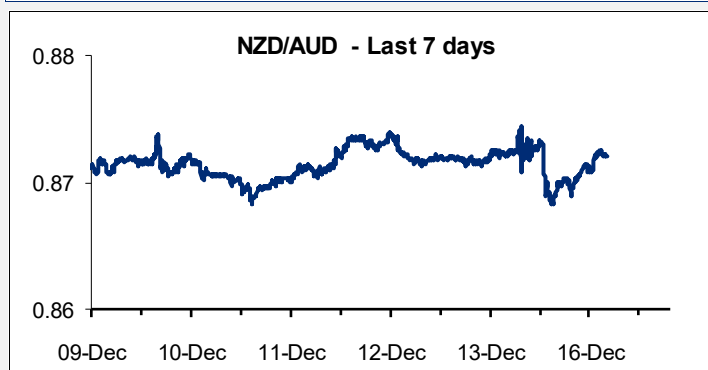
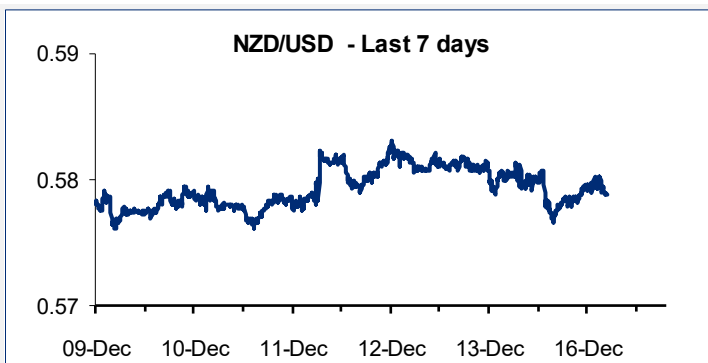
Coming Up

		Period	Cons.	Prev.	NZT
NZ	Monthly CPI indicators	Nov			10:45
AU	Westpac consumer confidence	Dec	103.8		12:30
NZ	Half Year Economic and Fiscal Update				13:00
UK	Pvte earnings x bonus (3m/y%)	Oct	3.8	4.2	20:00
UK	Unemployment rate (%)	Oct	5.1	5	20:00
GE	Manufacturing PMI	Dec	48.7	48.2	21:30
GE	Services PMI	Dec	53.0	53.1	21:30
EC	Manufacturing PMI	Dec	49.9	49.6	22:00
EC	Services PMI	Dec	53.3	53.6	22:00
UK	Services PMI	Dec	51.7	51.3	22:30
UK	Manufacturing PMI	Dec	50.4	50.2	22:30
US	Change in nonfarm payrolls (k)	Nov	50	119	02:30
US	Avg hourly earnings (m/m%)	Nov	0.3	0.2	02:30
US	Avg hourly earnings (y/y%)	Nov	3.6	3.8	02:30
US	Unemployment rate (%)	Nov	4.5	4.4	02:30
US	Retail sales (m/m%)	Oct	0.1	0.2	02:30
US	Retail sales ex auto, gas (m/m%)	Oct	0.4	0.1	02:30
US	Retail sales control grp (m/m%)	Oct	0.4	-0.1	02:30
US	Manufacturing PMI	Dec	52.0	52.2	03:45
US	Services PMI	Dec	54.0	54.1	03:45

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	0.5788	-0.3	0.5777	0.5803	CHF	0.7969	+0.1	S&P 500	6,813	-0.2	12.6	Oil (Brent)	60.43	-1.1
AUD	0.6637	-0.2	0.6637	0.6657	SEK	9.297	+0.3	Dow	48,306	-0.3	10.2	Oil (WTI)	56.69	-1.3
EUR	1.1747	+0.1	1.1726	1.1769	NOK	10.160	+0.3	Nasdaq	23,077	-0.5	15.8	Gold	4302.8	+0.1
GBP	1.3368	-0.0	1.3358	1.3402	HKD	7.783	-0.0	Stoxx 50	5,753	+0.6	15.8	HRC steel	907.0	+0.0
JPY	155.34	-0.3	154.84	155.37	CNY	7.048	-0.1	FTSE	9,751	+1.1	17.5	CRB	298.3	-0.8
CAD	1.3773	+0.0			SGD	1.290	-0.1	DAX	24,230	+0.2	18.7	Wheat Chic.	529.5	-1.4
NZD/AUD	0.8721	-0.1			IDR	16,667	+0.1	CAC 40	8,125	+0.7	9.7	Sugar	14.93	-1.1
NZD/EUR	0.4927	-0.3			THB	31.50	-0.1	Nikkei	50,168	-1.3	27.1	Cotton	63.99	+0.3
NZD/GBP	0.4330	-0.2			KRW	1,469	-0.6	Shanghai	3,868	-0.6	14.0	Coffee	360.5	-2.4
NZD/JPY	89.91	-0.6			TWD	31.37	+0.6	ASX 200	8,635	-0.7	4.7	WM powder	3215	+0.3
NZD/CAD	0.7972	-0.2			PHP	59.07	-0.0	NZX 50	13,408	+0.0	4.8	Australian Futures		
NZ TWI	66.84	-0.3						VIX Index	16.71	+6.2	+21.0	3 year bond	95.84	0.03
Interest Rates					NZ Government Bonds					NZ BKBM and Swap Yields				
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	3.75	4.85	3.34	3.78	USD	4.18	-0.01	15-Apr-27	2.77	-0.08	BKBM 1-mth	2.41	0.00	
AUD	3.60	3.71	3.97	4.77	AUD	4.73	-0.00	15-May-28	3.29	-0.06	BKBM 3-mth	2.48	0.00	
NZD	2.25	2.48	3.03	4.18	NZD	4.49	-0.02	20-Apr-29	3.57	-0.05	1 year	2.64	-0.06	
EUR	2.00	2.08	2.29	2.92	GER	2.85	-0.00	15-May-30	3.81	-0.04	2 year	3.03	-0.05	
GBP	4.00	4.11	3.52	4.01	GBP	4.50	-0.02	15-May-31	4.03	-0.04	3 year	3.31	-0.04	
JPY	0.48	-0.03	1.05	1.77	JPY	1.96	0.01	15-May-32	4.18	-0.03	5 year	3.68	-0.04	
CAD	2.25	4.97	2.48	3.19	CAD	3.41	-0.03	14-Apr-33	4.29	-0.03	7 year	3.93	-0.03	
Carbon Price					Policy Meeting Run			NZ Government Bonds			NZ Inflation-Indexed Bonds			
	Level	% Day	% Year		NZD	AUD	USD		Last	Chg		Last	Chg	
NZU	39.75	-0.5	-37.1		1st	2.25	3.68	3.59	15-May-35	4.49	-0.02	Sept-30	1.74	-0.03
* These are indicative ranges from 5pm NZT;					2nd	2.26	3.69	3.50	15-May-36	4.58	-0.02	Sept-35	2.54	-0.04
please confirm rates with your BNZ dealer					3rd	2.29	3.76	3.44	15-May-37	4.68	-0.01	Sept-40	2.95	-0.05
Rates are as of: NZT 06:50					4th	2.37	3.78	3.31	15-May-41	4.95	-0.01			
Source: Bloomberg					5th	2.47	3.87	3.23	15-May-51	5.19	0.00			
									15-May-54	5.20	0.01			

NZD exchange rates

16/12/2025	6:50 am	Prev. NY close
USD	0.5788	0.5807
GBP	0.4330	0.4343
AUD	0.8721	0.8730
EUR	0.4927	0.4946
JPY	89.91	90.48
CAD	0.7972	0.7997
CHF	0.4614	0.4621
DKK	3.6814	3.6947
FJD	1.3112	1.3201
HKD	4.5083	4.5205
INR	52.56	52.51
NOK	5.8802	5.8849
PKR	162.38	162.77
PHP	34.22	34.31
PGK	2.4599	2.4658
SEK	5.3796	5.3845
SGD	0.7471	0.7501
CNY	4.0824	4.0968
THB	18.21	18.34
TOP	1.3803	1.3829
VUV	70.44	70.62
WST	1.5979	1.5969
XPF	58.84	59.01
ZAR	9.7246	9.8054



NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	7.80	8.00
3 Months	19.95	20.32
6 Months	37.40	38.40
9 Months	50.19	51.75
1 Year	57.81	60.10

NZD/AUD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	10.20	10.65
3 Months	28.47	29.46
6 Months	59.29	61.96
9 Months	90.51	94.79
1 Year	119.38	125.40

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