

Research Markets Today

17 December 2025

Events Round-Up

AU: Westpac consumer confid., Dec: 94.5 vs. 103.8 prev.
 UK: Pvte earnings x bonus (3m/y%), Oct: 3.9 vs. 3.8 exp.
 UK: Unemployment rate (%), Oct: 5.1 vs. 5.1 exp.
 UK: Services PMI, Dec: 52.1 vs. 51.6 exp.
 UK: Manufacturing PMI, Dec: 51.2 vs. 50.3 exp.
 GE: Manufacturing PMI, Dec: 47.7 vs. 48.6 exp.
 GE: Services PMI, Dec: 52.6 vs. 53.0 exp.
 EC: Manufacturing PMI, Dec: 49.2 vs. 49.9 exp.
 EC: Services PMI, Dec: 52.6 vs. 53.3 exp.
 US: Change in nonfarm payrolls (k), Nov: 64 vs. 50 exp.
 US: Avg hourly earnings (m/m%), Nov: 0.1 vs. 0.3 exp.
 US: Avg hourly earnings (y/y%), Nov: 3.5 vs. 3.6 exp.
 US: Unemployment rate (%), Nov: 4.6 vs. 4.5 exp.
 US: Retail sales (m/m%), Oct: 0.0 vs. 0.1 exp.
 US: Retail sales ex auto, gas (m/m%), Oct: 0.5 vs. 0.4 exp.
 US: Retail sales control grp (m/m%), Oct: 0.8 vs. 0.4 exp.
 US: Manufacturing PMI, Dec: 51.8 vs. 52.1 exp.
 US: Services PMI, Dec: 52.9 vs. 54.0 exp.

Good Morning

Following the mass of data releases overnight the net result has been not a lot of market price action, although the direction of travel has been slightly lower US rates, a slightly weaker USD and modestly weaker US equities. Oil prices continue to head south, with WTI crude down to its lowest level in over four years. The NZD continues to linger just under the 0.58 mark.

US nonfarm payrolls rose 64k in November after slumping 105k in October, caused by the government shutdown, while the unemployment rate rose to a four-year high of 4.6%. Average hourly earnings rose just 0.1% m/m, taking annual wage inflation down to a 4½ year low of 3.5%. The general view was that while the labour market was still on a softer trajectory, the data were not weak enough to change expectations of the outlook for monetary policy. There will be another employment report ahead of the Fed's January meeting.

US retail sales were flat in October, driven by a fall in auto sales as federal tax incentives expired, but the core figures were stronger than expected, with the control group sales measure, which feeds into GDP, rising 0.8% m/m. US PMI

data were weaker than expected, with the composite index down 1.2pts to a six-month low of 53.0. Of note, the services output index rose 3.3pts to a four-year high of 59.2, consistent with a lift in core services inflation, with the report suggesting the impact of rising tariffs initially hitting manufacturing had now spilled over into services.

Amongst these US data releases there were both dovish and hawkish messages and market's reaction was to shrug them off. The market still sees two Fed rate cuts next year, one around mid-2026 and the other towards the end of the year. The 2-year and 10-year Treasury yields show little net movement for the day, although both are slightly lower as we go to print, with the latter trading at 4.15%. The S&P500 is down 0.6% in early afternoon trading.

In the UK, the unemployment rate ticked up to 5.1% as expected, to its highest level in nearly five years. While wages data were stronger than expected, annual wage inflation continues to trend lower, with the key private sector index excluding bonuses down to a near five-year low of 3.9% y/y. The data supported the strong consensus view that the BoE will cut rates at its meeting later this week. UK PMI data showed a slightly better recovery than expected in December, coming after data showing a string of flat to negative GDP growth over recent months.

Currency movements have been modest. GBP has outperformed, up 0.4% overnight to 1.3430, supported by slightly higher UK rates against the trend of slightly lower US and European yields. Slightly softer euro area PMI data didn't harm the euro. The NZD recovered after weakening during NZ afternoon trading and is trading just below 0.58. While NZD/GBP is a touch weaker at 0.4315, the NZD has held its ground or is slightly higher on the other key crosses.

The AUD didn't seem to get any support following changes to RBA rate calls. Both NAB and CBA joined Citi in predicting that the RBA would hike as soon as the next meeting in February. The AUD is flat at 0.6640 and NZD/AUD has pushed up to 0.8725.

Oil prices have slumped, with Brent crude down 2½% to USD59 per barrel. WTI crude fell below USD55 for the first time since February 2021. Lower oil prices reflect both demand and supply factors, the combination of which has led to a glut in the market, not helped by sluggish Chinese economic growth and hopes of an imminent end to the Ukraine-Russia war. Yesterday, President Trump said the end of the war in Ukraine was closer than ever after talks and President Zelensky said he has an agreement with the

US to make security guarantees legally binding through a vote in Congress as part of a deal.

NZ monthly CPI indicators for November were in line and didn't change our Q4 CPI pick of 0.3% q/q and 2.8% y/y, a tick higher than the RBNZ's MPS estimate. Housing market data continued to show soft pricing, while sales activity was weak in November.

The optics of the NZ government's fiscal update didn't look good, with the projected underlying operating deficit for the current fiscal year rising to a six-year high of 3.0% of GDP and net core crown debt continuing its upward trend, projected to rise for at least another couple of years. However, the government's bond tender programme for the current fiscal year was decreased by \$3b to \$35b and for the following fiscal year by \$2b to \$34b. Rather than reflecting underlying economic or fiscal conditions, the adjustment was due to NZDM being ahead of the required borrowing run-rate and a decision to reduce the minimum liquidity buffer by \$5b to \$10b, spread over two years. As such, there was no longer a need for another syndication this fiscal year.

The announcement supported a further tightening in swap spreads, with the 10-year spread down to its narrowest level in more than twelve months. The NZ 10-year NZGB rate fell 4bps to 4.45% against a 2bps fall in the swap rate to 4.16%. Earlier in the session, swap rates were dragged

down as the market readjusted further in the wake of RBNZ Governor Breman's comments on Monday. The 2-year swap rate was marked as low as 2.93%, before payside pressure returned and it closed at 2.99%, still down 4bps on the day. The combination of lower swap rates and some richening of bonds helped 3-5yr NZGBs fall 7bps for the day,

In the day ahead, NZ consumer confidence and current account data are released, the latter expected to show the annual deficit narrowing to 3.4% of GDP, the smallest deficit in over four years. Tonight sees the release of UK CPI data, with annual headline inflation expected to slip to 3.5%.

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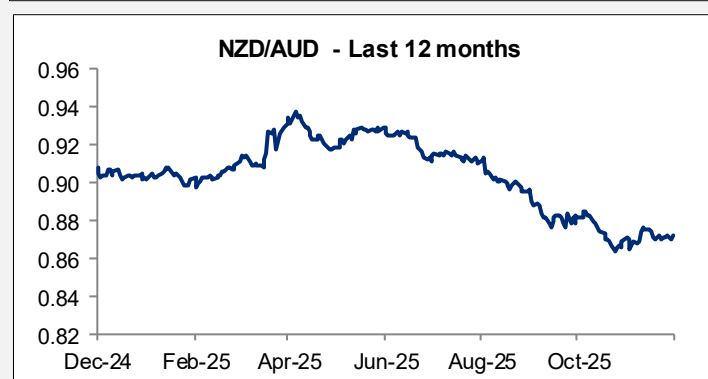
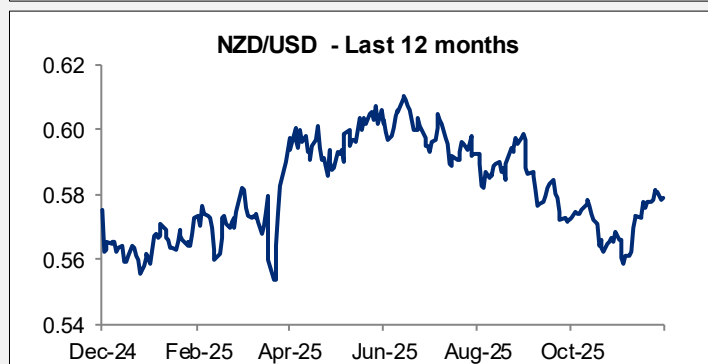
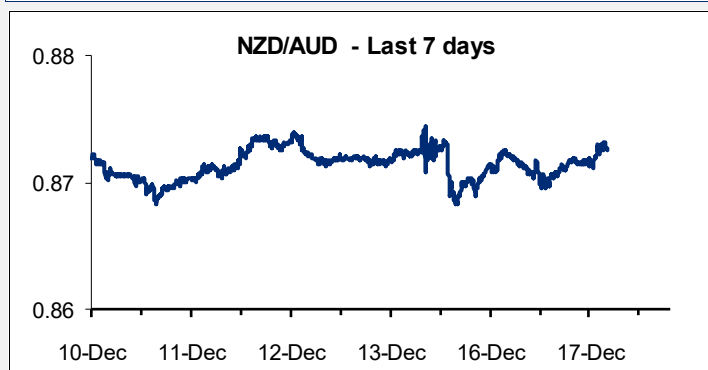
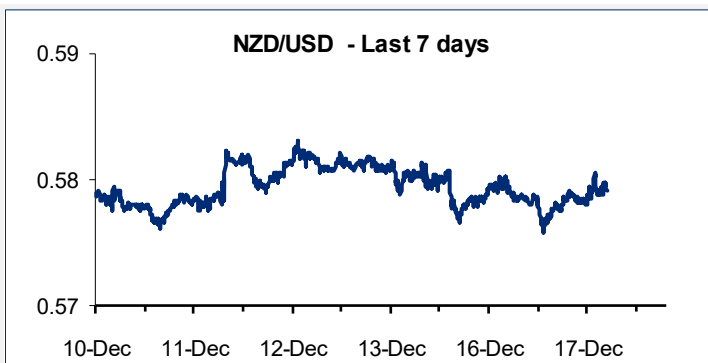
Coming Up

		Period	Cons.	Prev.	NZT
NZ	Westpac consumer confidence	Q4	90.9	09:00	
NZ	Current a/c balance (ann % of GDF)	Q3	-3.4	-3.7	10:45
UK	CPI (y/y%)	Nov	3.5	3.6	20:00
UK	CPI core (y/y%)	Nov	3.4	3.4	20:00
UK	CPI services (y/y%)	Nov	4.5	4.5	20:00
GE	IFO expectations	Dec	90.5	90.6	22:00

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	0.5791	+0.1	0.5775	0.5807	CHF	0.7942	-0.2	11.6	S&P 500	6,780	-0.5	11.6			
AUD	0.6636	-0.1	0.6629	0.6661	SEK	9.287	+0.0	9.9	Dow	48,053	-0.8	9.9			
EUR	1.1768	+0.1	1.1745	1.1804	NOK	10.172	+0.3	13.9	Nasdaq	22,968	-0.4	13.9			
GBP	1.3425	+0.4	1.3355	1.3456	HKD	7.780	-0.0	15.6	Stoxx 50	5,718	-0.6	15.6			
JPY	154.69	-0.3	154.40	155.00	CNY	7.043	-0.1	17.2	FTSE	9,685	-0.7	17.2			
CAD	1.3743	-0.2			SGD	1.288	-0.1	18.5	DAX	24,077	-0.6	18.5			
NZD/AUD	0.8727	+0.3			IDR	16,691	+0.1	10.2	CAC 40	8,106	-0.2	10.2			
NZD/EUR	0.4921	+0.0			THB	31.43	-0.1	25.5	Nikkei	49,383	-1.6	25.5			
NZD/GBP	0.4314	-0.2			KRW	1,473	+0.3	12.9	Shanghai	3,825	-1.1	12.9			
NZD/JPY	89.58	-0.2			TWD	31.50	+0.4	3.4	ASX 200	8,599	-0.4	3.4			
NZD/CAD	0.7959	-0.0			PHP	58.76	-0.5	4.0	NZX 50	13,425	+0.1	4.0			
NZ TWI	66.82	+0.1						4.0	VIX Index	16.98	+2.9	+15.6			
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	3.31	3.76	USD	4.15	-0.02	15-Apr-27	2.73	-0.04		BKBM 1-mth	2.41	0.00	
AUD	3.60	3.71	4.01	4.78	AUD	4.73	0.00	15-May-28	3.22	-0.07		BKBM 3-mth	2.49	0.00	
NZD	2.25	2.49	2.99	4.16	NZD	4.45	-0.04	20-Apr-29	3.50	-0.07		1 year	2.63	-0.01	
EUR	2.00	2.07	2.28	2.92	GER	2.85	-0.01	15-May-30	3.73	-0.07		2 year	2.99	-0.04	
GBP	4.00	4.11	3.55	4.03	GBP	4.52	0.02	15-May-31	3.97	-0.07		3 year	3.26	-0.05	
JPY	0.48	-0.03	1.05	1.79	JPY	1.96	0.00	15-May-32	4.13	-0.06		5 year	3.64	-0.04	
CAD	2.25	4.97	2.48	3.19	CAD	3.41	-0.00	14-Apr-33	4.24	-0.05		7 year	3.90	-0.03	
Carbon Price					Policy Meeting Run			NZ Government Bonds			NZ BKBM and Swap Yields				
	Level	% Day	% Year			NZD	AUD	USD		Last	Chg		Last	Chg	
NZU	36.85	-7.3	-41.5		1st	2.25	3.70	3.59	15-May-34	4.35	-0.05		10 year	4.16	-0.02
* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer					2nd	2.25	3.72	3.50	15-May-35	4.45	-0.04		15 year	4.44	-0.02
Rates are as of: NZT 06:55					3rd	2.29	3.81	3.44	15-May-36	4.54	-0.04		NZ Inflation-Indexed Bonds		
Source: Bloomberg					4th	2.36	3.85	3.30	15-May-37	4.64	-0.04		Sept-30	1.68	-0.06
					5th	2.45	3.92	3.22	15-May-38	4.92	-0.03		Sept-35	2.48	-0.06
									15-May-51	5.16	-0.03		Sept-40	2.90	-0.04
									15-May-54	5.17	-0.03				

NZD exchange rates

17/12/2025 6:56 am		Prev. NY close
USD	0.5791	0.5782
GBP	0.4314	0.4323
AUD	0.8727	0.8707
EUR	0.4921	0.4920
JPY	89.58	89.75
CAD	0.7959	0.7961
CHF	0.4603	0.4604
DKK	3.6759	3.6746
FJD	1.3181	1.3165
HKD	4.5037	4.4996
INR	52.70	52.46
NOK	5.8913	5.8672
PKR	162.27	162.07
PHP	34.01	34.16
PGK	2.4603	2.4573
SEK	5.3765	5.3685
SGD	0.7461	0.7456
CNY	4.0770	4.0752
THB	18.25	18.17
TOP	1.3800	1.3777
VUV	70.40	70.31
WST	1.5979	1.5950
XPF	58.77	58.73
ZAR	9.6928	9.7116



NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	7.59	7.81
3 Months	20.00	20.40
6 Months	37.56	38.55
9 Months	50.18	51.78
1 Year	57.28	59.42

NZD/AUD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	10.06	10.60
3 Months	29.00	30.12
6 Months	61.14	63.95
9 Months	93.56	97.96
1 Year	122.99	130.03

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