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Research

Markets Today

18 August 2025

Events Round-Up

NZ: Manufacturing PMI, Jul: 52.8 vs. 48.8 prev.
NZ: Food prices, Jul: 0.7 vs. 1.2 prev.
JN: GDP (q/q%), Q2: 0.3 vs. 0.1 exp.
CH: Retail sales (y/y%), Jul: 3.7 vs. 4.6 exp.
CH: Industrial production (y/y%), Jul: 5.7 vs. 6.0 exp.
CH: Fixed assets investment (y/y%), Jul: 1.6 vs. 2.7 exp.
US: Empire manufacturing, Aug: 11.9 vs. 0 exp.
US: Retail sales (m/m%), Jul: 0.5 vs. 0.6 exp.
US: Retail sales ex auto, gas (m/m%), Jul: 0.2 vs. 0.3 exp.
US: Retail sales control group (m/m%), Jul: 0.5 vs. 0.4 exp.
US: Industrial Production MoM, Jul: 0.1 vs. 0.0 exp.
US: U. of Mich. consumer sent., Aug: 58.6 vs. 62.0 exp.
US: U. of Mich. 5-10yr inflation exp., Aug: 3.9 vs. 3.4 exp.

Good morning

US equities ended last week with a modest pullback amid mixed economic data. The closely watched US-Russia Summit in Alaska didn't have any clear implications for markets. US retail sales rose in July and will help ease some of the concerns about the health of US consumers' spending following the extreme economic uncertainty in April and May. However, the softening labour market and the expected pass through to prices from tariffs, suggests a meaningful acceleration is unlikely.

University of Michigan consumer sentiment fell to 58.6 in August, which was below the consensus estimate and suggests that an anticipated pickup in inflation is undermining confidence. Measures of inflation expectations in the report increased for both the near- and medium-term. The expectations index is consistent with subdued growth in real consumption.

US treasuries closed higher in yield, with longer-dated maturities leading the way. 10-year yields increased 3bp to 4.32%. There were larger moves at the long end of the curve. The yield on 30-year bonds rose 5bp to 4.93% and the 5y/30y curve reached the steepest level since 2021.

German bunds also closed higher in yield with a steepening bias. 30-year bund yields increased 8bp to 3.34%, the highest level in fourteen years. Some analysts suggested holiday trading conditions exacerbated the move in relatively low market liquidity.

US investment grade corporate bond spreads tightened to 73bp over US treasuries, which is the narrowest since 1998. The spread compression has been associated with strong inflows into credit funds as investors look ahead to easing by the Federal Reserve. The fund flows are being met with low net supply, amid the traditionally quiet issuance period, in the Northern Hemisphere summer.

The Japanese economy expanded more quickly than expected in Q2, with a solid contribution from domestic demand, which provides further support for the BoJ to raise rates again this year. Business investment rose 1.3% in the quarter, and private consumption increased 0.2%, despite higher US tariffs. The market is pricing around 17bp of tightening by December. The yen gained following the data.

Monthly activity data in China was weaker than expected. Retail sales grew 3.7% y/y in July, the slowest pace this year, and down from 4.8% in the previous month. Industrial production grew at a 5.7% annual rate and fixed-asset investment decelerated to 1.6% in the first seven months of the year. The soft data raised concerns that trade tensions are starting to weigh on the economy and contributed to falls for Chinese equities listed in Hong Kong.

The US dollar decline, which began in the local session on Friday, continued into the weekly close though the absolute moves were not large. The euro outperformed amongst G10 currencies. The NZD was little changed against the US dollar and stable on the key crosses outside of a modest decline in NZD/EUR.

The NZ manufacturing PMI moved back into expansionary territory in July. The index increased to 52.8, which is close to the long-term series mean, and up from 49.2 in June. Separately inflation partials for July came in close to expectations, and our Q3 CPI forecast is unchanged at 0.9%, which would correspond with a 3.0% annual headline rate.

NZ fixed income ended the local session 2-3bp higher across the swap and government curves, largely reflecting offshore moves. There was limited reaction to the PMI and inflation data. Absolute moves across NZ rates have been modest over the past week as the market looks ahead to the RBNZ Monetary Policy Statement for direction.

Australian 10-year government bond futures are 4bp higher in yield terms since the local close on Friday, which suggests an upward bias for NZ yields on the open.

The services PMI is released today. The index recovered to 47.3 in June and will need to climb further to be consistent with the pickup in growth forecast for Q3. Alongside the RBNZ monetary policy decision, the week ahead includes the annual economic symposium in Jackson Hole, advance PMIs for the US and Europe and inflation data in the UK.

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Coming Up

		Period	Cons.	Prev.	NZT
NZ	Performance Services Index	Jul		47.3	10:30
US	NAHB Housing Market Index	Aug	34	33	02:00

Currencies

FX Majors — Indicative overnight ranges (*)

	Last	% Day	Low	High
NZD	0.5922	+0.1	0.5918	0.5939
AUD	0.6508	+0.2	0.6503	0.6523
EUR	1.1705	+0.5	1.1672	1.1715
GBP	1.3556	+0.2	1.3546	1.3575
JPY	147.17	-0.4	146.74	147.33
CAD	1.3819	+0.0		
NZD/AUD	0.9100	-0.1		
NZD/EUR	0.5060	-0.4		
NZD/GBP	0.4369	-0.1		
NZD/JPY	87.15	-0.3		
NZD/CAD	0.8184	+0.1		
NZ TWI	68.48	-0.0		

Other FX

	Last	% Day
CHF	0.8068	-0.1
SEK	9.555	-0.3
NOK	10.194	-0.3
HKD	7.824	-0.1
CNY	7.184	+0.0
SGD	1.283	-0.1
IDR	16,169	+0.3
THB	32.46	-0.1
KRW	1,389	-0.1
TWD	30.00	+0.0
PHP	57.08	+0.3

Equities

Major Indices

	Last	% Day	% Year
S&P 500	6,450	-0.3	16.4
Dow	44,946	+0.1	10.8
Nasdaq	21,623	-0.4	22.9
Stoxx 50	5,449	+0.3	13.3
FTSE	9,139	-0.4	10.0
DAX	24,359	-0.1	32.9
CAC 40	7,923	+0.7	6.4
Nikkei	43,378	+1.7	14.0
Shanghai	3,697	+0.8	28.4
ASX 200	8,939	+0.7	12.1
NZX 50	12,889	+0.4	1.3
VIX Index	15.09	+1.8	-0.9

Commodities

Price (Near futures, except CRB)

	Last	Net Day
Oil (Brent)	65.85	-1.5
Oil (WTI)	62.80	-1.8
Gold	3336.0	+0.0
HRC steel	832.0	+0.1
CRB	295.5	+0.2
Wheat Chic.	527.0	+0.5
Sugar	16.44	-0.8
Cotton	66.10	-0.1
Coffee	334.2	+4.9
WM powder	3900	-0.6

Australian Futures

	Last	Net Day
3 year bond	96.65	-0.01
10 year bond	95.71	-0.03

Interest Rates

	Rates Cash	Rates 3Mth	Swap Yields 2 Yr	Swap Yields 10 Yr
USD	4.50	4.85	3.51	3.79
AUD	3.60	3.62	3.24	4.17
NZD	3.25	3.15	3.05	3.95
EUR	2.00	2.03	2.11	2.73
GBP	4.00	4.33	3.71	4.16
JPY	0.48	-0.03	0.83	1.38
CAD	2.75	4.97	2.58	3.15

Benchmark 10 Yr Bonds

	Last	Net Day
USD	4.32	0.03
AUD	4.23	0.02
NZD	4.43	0.03
GER	2.79	0.08
GBP	4.70	0.06
JPY	1.57	0.03
CAD	3.45	0.04

Policy Meeting Run

	NZD	AUD	USD
1st	3.02	3.59	4.12
2nd	2.96	3.51	3.97
3rd	2.84	3.29	3.78
4th	2.76	3.22	3.67
5th	2.75	3.08	3.55

NZ Government Bonds

	Last	Chg
15-Apr-27	3.15	0.02
15-May-28	3.34	0.02
20-Apr-29	3.52	0.02
15-May-30	3.71	0.03
15-May-31	3.93	0.03
15-May-32	4.09	0.03
14-Apr-33	4.22	0.03
15-May-34	4.33	0.03
15-May-35	4.43	0.03
15-May-36	4.54	0.03
15-May-37	4.66	0.03
15-May-41	4.94	0.03
15-May-51	5.14	0.03
15-May-54	5.16	0.03

NZ BKBM and Swap Yields

	Last	Chg
BKBM 1-mth	3.16	-0.01
BKBM 3-mth	3.15	0.01
1 year	3.01	0.03
2 year	3.05	0.02
3 year	3.17	0.02
5 year	3.43	0.02
7 year	3.67	0.02
10 year	3.95	0.03
15 year	4.23	0.03

NZ Inflation-Indexed Bonds

	Last	Chg
Sep-30	1.93	0.01
Sep-35	2.62	0.01
Sep-40	3.04	0.00

* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer
Rates at NY close
Source: Bloomberg

NZD exchange rates

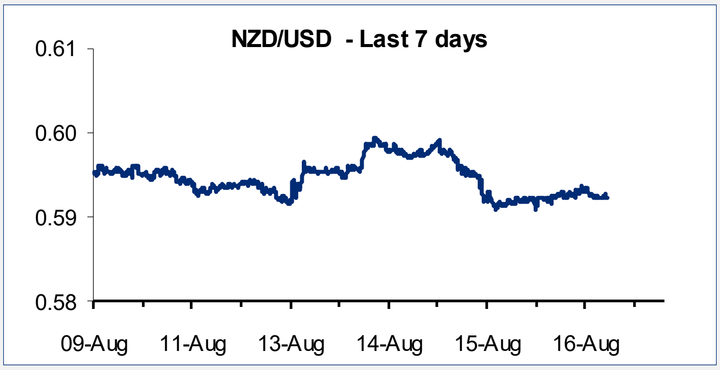
16/08/2025	NY close	Prev. NY close
USD	0.5922	0.5917
GBP	0.4369	0.4373
AUD	0.9100	0.9110
EUR	0.5060	0.5080
JPY	87.15	87.43
CAD	0.8184	0.8176
CHF	0.4778	0.4779
DKK	3.7766	3.7917
FJD	1.3359	1.3372
HKD	4.6334	4.6348
INR	51.86	51.77
NOK	6.0368	6.0472
PKR	167.10	167.09
PHP	33.80	33.68
PGK	2.4112	2.4112
SEK	5.6585	5.6711
SGD	0.7598	0.7602
CNY	4.2547	4.2493
THB	19.20	19.15
TOP	1.3699	1.3949
VUV	70.66	70.63
WST	1.6273	1.6063
XPF	60.38	60.52
ZAR	10.4182	10.4120

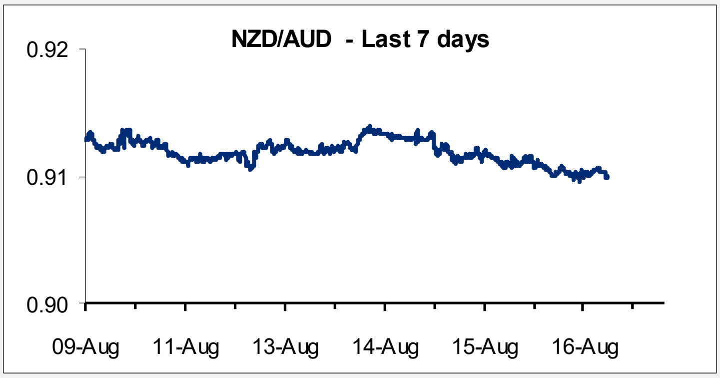
NZD/USD Forward Points

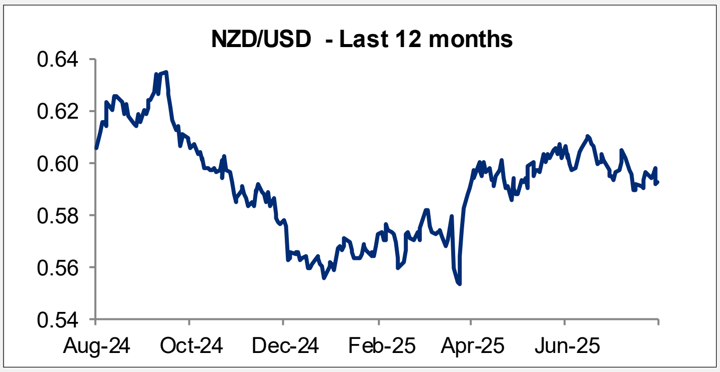
	BNZ buys NZD	BNZ sells NZD
1 Month	6.75	6.95
3 Months	18.36	18.86
6 Months	34.20	35.20
9 Months	47.07	49.07
1 Year	56.86	60.64

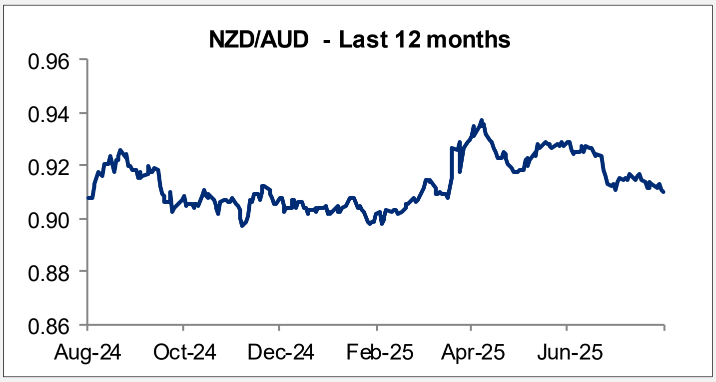
NZD/AUD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	4.55	5.09
3 Months	13.26	14.38
6 Months	23.58	26.27
9 Months	32.30	37.03
1 Year	39.70	48.67









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