

Research Markets Today

18 September 2025

Events Round-Up

NZ: Westpac consumer confidence, Q3: 90.9 vs. 91.2 prev.
 NZ: Current a/c balance (% of GDP), Q2: -3.7 vs. -4.8 exp.
 UK: CPI (y/y%), Aug: 3.8 vs. 3.8 exp.
 UK: CPI core (y/y%), Aug: 3.6 vs. 3.6 exp.
 UK: CPI services (y/y%), Aug: 4.7 vs. 4.8 exp.
 US: Housing starts (k), Aug: 1307 vs. 1365 exp.
 US: Building permits (k), Aug: 1312 vs. 1370 exp.
 CA: Bank of Canada policy rate (%), Sep: 2.5 vs. 2.5 exp.
 US: Fed Funds rate (Upper bd %), Sep: 4.25 vs. 4.25 exp.

Good morning

Global asset markets were largely in a holding pattern in the run up to the US Federal Reserve's rate decision this morning. US equities and European equities were little changed, while treasury yields were higher, driven by the front end of the curve. Currency markets were stable. The US Dollar index remained above the multi-year low from early July having approached this level in recent sessions. There was limited currency market impact from UK inflation data and the Bank of Canada rate cut.

The FOMC reduced rates for the first time in a year. The 25bp cut was in line with economist forecasts and takes the upper bound for the Fed Funds Rate to 4.25%. Market pricing had implied a slim chance of a larger 50bp cut. It was not a consensus decision. The newly-sworn-in Governor Miran dissented in favour of a 50bp cut. Policy makers said there are growing signs of weakness in the labour market but also noted that inflation has moved up and remains somewhat elevated.

The updated dot plot shows the median FOMC participant expects to cut rates by a further 50bp this year, which was more than expected. The median dot projects a further 25bp of easing in 2026 and 2027, aligning with analysts' estimates. The updated Summary of Economic Projections show policy makers have slightly increased growth and inflation forecasts. The US economy is expected to grow 1.8% next year compared with a 1.4% forecast at the June FOMC. Core PCE inflation projections increased to 2.6% from 2.4%.

In the accompanying press conference, Fed Chair Powell said the balance of risks has shifted given the recent

weakness in the labour market. He noted the central bank's base case is the impact on inflation from tariffs will be short lived and that the balance of risks suggests that policy should be moving towards neutral. Powell said the Fed is strongly committed to maintaining its independence in response to the recent political pressure.

Although the FOMC was broadly in line with expectations, the market reacted to the dovish interpretation of the Fed signalling a further 50bp of easing for this year. US treasury yields dipped immediately after the announcement and the US dollar index declined to a fresh multi-year low. However, these moves proved short-lived and quickly reversed after Powell suggested there was no urgency to move quickly. In the whipsaw price action, 10-year US treasury yields dipped below 4.0% before rebounding to 4.07%. NZD/USD is marginally weaker relative to the local close yesterday with only modest changes on the major cross rates.

The Bank of Canada reduced its policy rate by 25bp to 2.50%, which was in line expectations, although there was a small minority of analysts who expected rates to remain steady. The central bank cited a weaker economy and less upside risk to inflation, and it would 'proceed carefully' with future decisions. There was no forward guidance about future policy, but the market is continuing to price a further 20bp of easing by December.

UK headline inflation was 3.8% August which was in line with the consensus estimate and the Bank of England's forecast. This is the highest level in eighteen months and is likely to keep central bank officials cautious about cutting rates further. The core reading was 3.6% and services inflation, which is closely monitored for signs of domestic price pressures, decreased to 4.7% from 5.0%. There is around 7bp of easing priced by December, down from 10bp ahead of the data.

NZ swap rates ended the local session yesterday 1-2bp lower across the curve with the modest steepening bias. 2-year rates have continued to edge lower and reached a fresh cyclical low of 2.81%. Q3 consumer confidence data remained subdued and well below the long-term series mean and supports the recent decline in yields. There was limited activity as market participants looked ahead to the FOMC and NZ GDP data.

The government curve also steepened with front end yields declining 3bp while 10-year bonds closed 1bp lower at 4.27%. NZ Debt Management is offering NZ\$450 million of nominal bonds in the weekly tender today split across the May-30 (\$225m) and May-35 (\$225m) lines. Australian 10-year government bond futures have increased ~4bp in yield terms since the local close yesterday, which suggests higher NZ yields on the open.

NZ Q2 GDP is released today. We forecast a 0.5% contraction which is marginally weaker than the median estimate and RBNZ's forecast at the August Monetary Policy Statement (both -0.3%). Labour market data is scheduled in Australia. The Bank of England is unanimously expected to leave rates unchanged at 4.0%. In the US, jobless claims are likely to retrace after the spike last week

overstated the degree of deterioration in the labour market.

stuart.ritson@bnz.co.nz

Coming Up

| | | Period | Cons. | Prev. | NZT |
|----|---------------------------|--------|-------|-------|-------|
| NZ | GDP SA (q/q%) | 2Q | -0.3 | 0.8 | 10:45 |
| AU | Employment Change | Aug | 21 | 24.5 | 13:30 |
| AU | Unemployment Rate | Aug | 4.2 | 4.2 | 13:30 |
| UK | Bank of England Bank Rate | Sep | 4 | 4 | 23:00 |
| US | Initial Jobless Claims | Sep 13 | 240 | 263 | 00:30 |
| US | Philadelphia Fed Business | Sep | 1.85 | -0.3 | 00:30 |

| 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 | 0.5959 | -0.5 | 0.5948 | 0.6007 | CHF | 0.7887 | +0.3 | S&P 500 | 6,569 | -0.5 | 16.6 | Oil (Brent) | 67.91 | -0.8 | | | |
| AUD | 0.6655 | -0.5 | 0.6642 | 0.6707 | SEK | 9.279 | +0.6 | Dow | 45,889 | +0.3 | 10.3 | Oil (WTI) | 63.99 | -0.8 | | | |
| EUR | 1.1833 | -0.3 | 1.1819 | 1.1919 | NOK | 9.816 | +0.5 | Nasdaq | 22,171 | -0.7 | 25.8 | Gold | 3666.7 | -0.8 | | | |
| GBP | 1.3639 | -0.1 | 1.3625 | 1.3726 | HKD | 7.775 | -0.1 | Stoxx 50 | 5,370 | -0.0 | 10.5 | HRC steel | 812.0 | +0.2 | | | |
| JPY | 146.74 | +0.2 | 145.49 | 146.86 | CNY | 7.104 | -0.1 | FTSE | 9,208 | +0.1 | 10.8 | CRB | 307.3 | +0.6 | | | |
| CAD | 1.3775 | +0.3 | | | SGD | 1.277 | +0.1 | DAX | 23,359 | +0.1 | 24.7 | Wheat Chic. | 546.8 | -0.9 | | | |
| NZD/AUD | 0.8954 | -0.0 | | | IDR | 16,437 | -0.0 | CAC 40 | 7,787 | -0.4 | 4.0 | Sugar | 15.54 | -2.3 | | | |
| NZD/EUR | 0.5036 | -0.2 | | | THB | 31.78 | +0.3 | Nikkei | 44,790 | -0.2 | 23.1 | Cotton | 65.86 | -0.8 | | | |
| NZD/GBP | 0.4369 | -0.4 | | | KRW | 1,377 | -0.2 | Shanghai | 3,876 | +0.4 | 43.4 | Coffee | 375.7 | -8.2 | | | |
| NZD/JPY | 87.44 | -0.3 | | | TWD | 30.05 | -0.1 | ASX 200 | 8,818 | -0.7 | 8.3 | WM powder | 3635 | +1.1 | | | |
| NZD/CAD | 0.8209 | -0.2 | | | PHP | 56.89 | -0.0 | NZX 50 | 13,228 | -0.0 | 5.1 | Australian Futures | | | | | |
| NZ TWI | 68.24 | -0.4 | | | | | | VIX Index | 16.65 | +1.8 | -5.5 | 3 year bond | 96.57 | 0.00 | | | |
| Interest Rates | | | | | | | | | | | | | | | 10 year bond | 95.72 | -0.03 |
| 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 | 4.25 | 4.85 | 3.30 | 3.55 | USD | 4.07 | 0.04 | 15-Apr-27 | 2.91 | -0.03 | BKBM 1-mth | 3.04 | -0.01 | | | | |
| AUD | 3.60 | 3.56 | 3.31 | 4.18 | AUD | 4.22 | 0.00 | 15-May-28 | 3.12 | -0.03 | BKBM 3-mth | 2.95 | -0.01 | | | | |
| NZD | 3.00 | 2.95 | 2.81 | 3.79 | NZD | 4.27 | -0.01 | 20-Apr-29 | 3.31 | -0.02 | 1 year | 2.77 | -0.02 | | | | |
| EUR | 2.00 | 2.02 | 2.14 | 2.63 | GER | 2.68 | -0.02 | 15-May-30 | 3.51 | -0.02 | 2 year | 2.81 | -0.02 | | | | |
| GBP | 4.00 | 4.25 | 3.75 | 4.08 | GBP | 4.63 | -0.01 | 15-May-31 | 3.73 | -0.02 | 3 year | 2.95 | -0.02 | | | | |
| JPY | 0.48 | -0.03 | 0.87 | 1.41 | JPY | 1.60 | -0.00 | 15-May-32 | 3.90 | -0.02 | 5 year | 3.24 | -0.02 | | | | |
| CAD | 2.50 | 4.97 | 2.36 | 2.89 | CAD | 3.19 | 0.04 | 14-Apr-33 | 4.03 | -0.01 | 7 year | 3.50 | -0.01 | | | | |
| | | | | | | Policy Meeting Run | | 15-May-34 | 4.16 | -0.01 | 10 year | 3.79 | -0.01 | | | | |
| | | | | | | NZD | | 15-May-35 | 4.27 | -0.01 | 15 year | 4.09 | -0.01 | | | | |
| | | | | | | AUD | | 15-May-36 | 4.37 | -0.01 | NZ Inflation-Indexed Bonds | | | | | | |
| | | | | | | USD | | 15-May-37 | 4.49 | -0.01 | Sept-30 | 1.66 | -0.01 | | | | |
| | | | | | | 1st | 2.77 | 3.57 | 4.09 | | Sept-35 | 2.46 | -0.00 | | | | |
| | | | | | | 2nd | 2.58 | 3.38 | 3.87 | | Sept-40 | 2.87 | -0.00 | | | | |
| | | | | | | 3rd | 2.50 | 3.32 | 3.64 | | | | | | | | |
| | | | | | | 4th | 2.49 | 3.19 | 3.52 | | | | | | | | |
| | | | | | | 5th | 2.48 | 3.19 | 3.38 | | | | | | | | |
| * These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer | | | | | | | | | | | | | | | | | |
| Rates are as of: NZT 06:58 | | | | | | | | | | | | | | | | | |
| Source: Bloomberg | | | | | | | | | | | | | | | | | |

* These are indicative ranges from 5pm NZT;

please confirm rates with your BNZ dealer

Rates are as of: NZT 06:58

Source: Bloomberg

NZD exchange rates

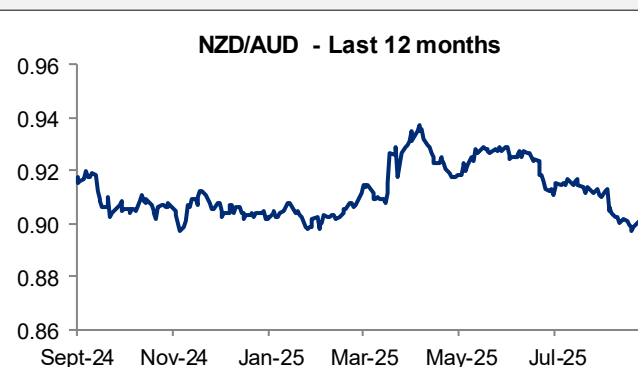
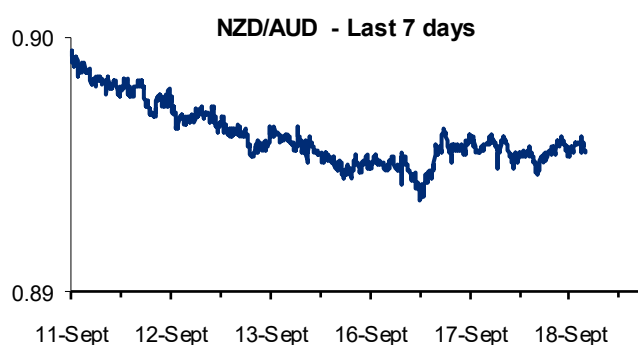
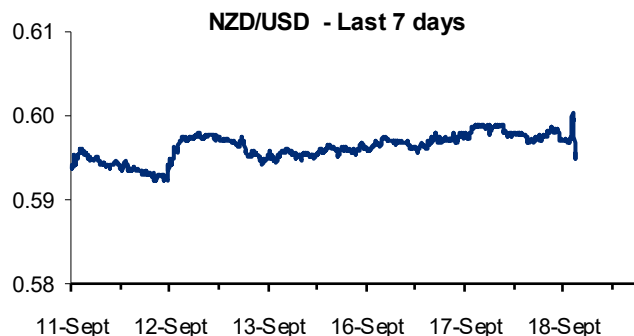
| 18/09/2025 | 6:59 am | Prev. NY close |
|-------------------|----------------|-----------------------|
| USD | 0.5959 | 0.5987 |
| GBP | 0.4369 | 0.4387 |
| AUD | 0.8954 | 0.8956 |
| EUR | 0.5036 | 0.5045 |
| JPY | 87.44 | 87.70 |
| CAD | 0.8209 | 0.8226 |
| CHF | 0.4700 | 0.4706 |
| DKK | 3.7593 | 3.7661 |
| FJD | 1.3334 | 1.3418 |
| HKD | 4.6334 | 4.6583 |
| INR | 52.33 | 52.72 |
| NOK | 5.8495 | 5.8499 |
| PKR | 167.76 | 168.51 |
| PHP | 33.90 | 34.08 |
| PGK | 2.4472 | 2.4577 |
| SEK | 5.5295 | 5.5259 |
| SGD | 0.7611 | 0.7640 |
| CNY | 4.2334 | 4.2593 |
| THB | 18.91 | 18.97 |
| TOP | 1.3820 | 1.3975 |
| VUV | 70.71 | 71.07 |
| WST | 1.5950 | 1.6380 |
| XPF | 60.29 | 60.56 |
| ZAR | 10.3675 | 10.3809 |

NZD/USD Forward Points

| | BNZ buys NZD | BNZ sells NZD |
|----------|---------------------|----------------------|
| 1 Month | 6.19 | 6.35 |
| 3 Months | 18.19 | 18.69 |
| 6 Months | 33.98 | 34.98 |
| 9 Months | 47.55 | 49.55 |
| 1 Year | 56.83 | 59.83 |

NZD/AUD Forward Points

| | BNZ buys NZD | BNZ sells NZD |
|----------|---------------------|----------------------|
| 1 Month | 5.26 | 5.70 |
| 3 Months | 16.40 | 17.55 |
| 6 Months | 32.55 | 35.54 |
| 9 Months | 48.71 | 54.12 |
| 1 Year | 62.73 | 71.57 |



Contact Details

BNZ Research

Stephen Toplis
Head of Research
+64 4 474 6905

Doug Steel
Senior Economist
+64 4 474 6923

Jason Wong
Senior Markets Strategist
+64 4 924 7652

Stuart Ritson
Senior Interest Rate Strategist
+64 9 9248601

Mike Jones
BNZ Chief Economist
+64 9-956 0795

Main Offices

Wellington
Level 4, Spark Central
42-52 Willis Street
Private Bag 39806
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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