

Research Markets Today

19 September 2025

Events Round-Up

NZ: GDP (q/q%), Q2: -0.9 vs. -0.3 exp.

AU: Employment change (k), Aug: -5 vs. 21 exp.

AU: Unemployment rate (%), Aug: 4.2 vs. 4.2 exp.

UK: Bank of England Bank Rate (%), Sep: 4.0 vs. 4.0 exp.

US: Initial jobless claims, wk to Sep 13: 231 vs. 240 exp.

US: Philly Fed business outlook, Sep: 23.2 vs. 1.7 exp.

Good Morning

In the aftermath of the US Fed's rate cut yesterday, US equities are probing fresh record highs. For US Treasuries and the USD, it has been a case of buy the rumour, sell the fact, with yields extending higher and the USD making further broad gains, supported by stronger US data. The NZD has extended losses overnight, following the softer than expected GDP print yesterday, trading below 0.59.

The market's reaction post-Fed has been focused on Chair Powell's comments, which implied no sense of urgency to bring down US rates, by taking a "meeting by meeting" approach. Powell's caution in policy guidance already looks astute, with stronger US economic data overnight.

US initial jobless claims plunged by a greater than expected 33k last week to 231k, following the spike up in claims the previous week. The data supported a view that unemployment hadn't suddenly jumped higher, with the spike explained by the Labour Day holiday and the unusual jump in Texas claims, attributed to attempted fraud. The underlying picture is one of only a gentle drift higher in jobless claims.

The Philadelphia Fed business outlook index jumped from minus 0.3 in August to 23.2 in September, a much higher leap than expected, to an eight-month high. There was a strong rebound in new orders after some tariff uncertainty for firms was lifted.

The stronger data drove up US rates, with the 10-year rate reaching an overnight high of 4.135% before buyers stepped in and it currently trades at 4.10%, about 3bps higher compared to the NZ close. The market still sees a high chance of two further Fed cuts this year, with 23bps priced for next month's meeting and 45bps for the two meetings combined.

The Trump administration asked the Supreme Court to let it remove Fed Governor Cook from the central bank's board while a lawsuit challenging the president's effort to fire her proceeds. The move continues Trump's policy to load the FOMC with his appointees to influence monetary policy decisions. We saw that in action yesterday, with Governor Miran dissenting in favour of a larger 50bps cut.

US equities are probing fresh record highs, embracing the fact that the Fed has restarted the easing cycle to support the economy. Tech stocks have outperformed. Nvidia agreed to invest \$5b in Intel and the two companies will co-develop chips for PCs and data centres. Both stocks are higher, Intel up over 22% and Nvidia up over 3%. The S&P500 is currently up 0.6% and the Nasdaq index is up over 1%.

As expected, the BoE kept policy unchanged, in a 7-2 vote, with the two perennial doves on the committee preferring a 25bps rate cut. Policy guidance was unchanged, with the statement noting "a gradual and careful approach to the further withdrawal of monetary policy restraint remains appropriate". Governor Bailey said, "I continue to think that there will be some further reductions, but I think the timing and scale of those is more uncertain now".

As expected, the BoE also said it would slow the pace of quantitative tightening from £100bn per annum to £70bn, via £21bn in sales and the rest reflecting maturing debt. It also plans to sell fewer longer-dated gilts to help limit the impact of its sales on the market. Market reaction to the BoE's policy decisions was muted, with its rates market performing in line with the rest of Europe, with steeper curves, while the OIS market continues to see only a mild chance of further policy easing over the remaining two meetings of the year.

GBP is moderately weaker trading around 1.3350, but in the context of broad USD gains. The USD has extended its post FOMC gains, with dollar indices up 0.4-0.5% for the day. EUR and CAD have fallen the least, with only minor weakness overnight. The higher rates backdrop has seen JPY underperform.

The NZD significantly underperformed after the much weaker than expected Q2 GDP print and losses have extended overnight. The blip higher to above 0.60 in the immediate reaction to the FOMC meeting is now a distant memory and overnight the currency has probed just below

0.5875. Technically, there is support at 0.5800, which was the low in the aftermath of the RBNZ's August MPS.

On the crosses, NZD/AUD and NZD/EUR fell to multi-year lows of 0.8866 and 0.4982 respectively, the latter hitting its lowest level in about 15 years. For NZD/GBP, lows seen earlier in the year haven't been tested and the cross currently sits at 0.4340.

NZ GDP contracted 0.9% in Q2, larger than the consensus pick of 0.3%. The data have been volatile of late and need to be interpreted with caution, but that didn't stop a notable market reaction. The RBNZ has form in reacting to outdated data, with the July pause following the much stronger than expected Q1 GDP outcome. We expect GDP to show a decent bounce back in Q3, but that data won't be released until December and there are two more RBNZ meetings to navigate before then.

The rates market priced in a chance of a jumbo 50bps cut in October, with about 33bps priced for the meeting and a terminal rate priced around 2.30-2.35%. There was significant curve steepening, with the 2-year swap rate closing down a chunky 11bps to 2.71%, after probing even lower levels intraday. The 5-year and 10-year rates fell

7bps and 5bps respectively. NZGBs fell 3-11bps across the curve.

In the day ahead, after NZ trade data, the focus will turn to Japan, with CPI data likely to show inflation continuing to run well above target, ahead of the BoJ's latest policy update. Against a backdrop of political uncertainty, no one expects the central bank to change policy, but there is interest in whether the Bank is willing to contemplate another rate hike as soon as the October meeting. Tonight, the data calendar is light, with only UK retail sales of some interest.

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Coming Up

		Period	Cons.	Prev.	NZT
NZ	Trade balance (ann \$b)	Aug	-3.9	10:45	
UK	GfK consumer confidence	Sep	-18	-17	11:01
JN	CPI (y/y%)	Aug	2.8	3.1	11:30
JN	CPI x fr. food, energy (y/y%)	Aug	3.3	3.4	11:30
JN	BoJ target rate (%)	Sep	0.5	0.5	
UK	Retail sales ex auto fuel (m/m%)	Aug	0.7	0.5	18:00

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	0.5882	-1.4	0.5872	0.5917	CHF	0.7923	+0.4		S&P 500	6,635	+0.5	18.1	Oil (Brent)	67.54	-0.6
AUD	0.6615	-0.6	0.6607	0.6660	SEK	9.357	+0.6		Dow	46,187	+0.4	11.3	Oil (WTI)	63.66	-0.6
EUR	1.1788	-0.2	1.1750	1.1848	NOK	9.876	+0.5		Nasdaq	22,514	+1.1	28.1	Gold	3646.0	-1.1
GBP	1.3553	-0.5	1.3534	1.3661	HKD	7.778	-0.0		Stoxx 50	5,457	+1.6	12.9	HRC steel	813.0	+0.0
JPY	147.88	+0.6	147.03	148.27	CNY	7.113	+0.1		FTSE	9,228	+0.2	11.8	CRB	303.6	-1.2
CAD	1.3795	+0.2			SGD	1.282	+0.3		DAX	23,675	+1.4	26.5	Wheat Chic.	543.0	-0.6
NZD/AUD	0.8892	-0.8			IDR	16,527	+0.5		CAC 40	7,855	+0.9	5.5	Sugar	15.38	-1.0
NZD/EUR	0.4990	-1.1			THB	31.90	+0.3		Nikkei	45,303	+1.1	21.9	Cotton	65.19	-1.0
NZD/GBP	0.4340	-0.9			KRW	1,388	+0.8		Shanghai	3,832	-1.2	41.0	Coffee	380.9	+1.4
NZD/JPY	86.98	-0.8			TWD	30.08	+0.1		ASX 200	8,745	-0.8	6.8	WM powder	3630	-0.1
NZD/CAD	0.8114	-1.3			PHP	57.06	+0.3		NZX 50	13,120	-0.8	3.6	Australian Futures		
NZ TWI	67.58	-1.1							VIX Index	15.50	-1.4	-15.0	3 year bond	96.61	0.04
												10 year bond	95.73	0.02	
Interest Rates															
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	3.32	3.58	USD	4.10	0.02	15-Apr-27	2.80	-0.11	BKBM 1-mth	3.02	-0.02		
AUD	3.60	3.56	3.30	4.16	AUD	4.19	-0.03	15-May-28	3.02	-0.10	BKBM 3-mth	2.94	-0.01		
NZD	3.00	2.94	2.71	3.74	NZD	4.23	-0.04	20-Apr-29	3.21	-0.10	1 year	2.63	-0.14		
EUR	2.00	2.02	2.14	2.67	GER	2.73	0.05	15-May-30	3.43	-0.09	2 year	2.71	-0.11		
GBP	4.00	4.24	3.74	4.12	GBP	4.68	0.05	15-May-31	3.65	-0.07	3 year	2.86	-0.09		
JPY	0.48	-0.03	0.89	1.44	JPY	1.60	0.00	15-May-32	3.84	-0.06	5 year	3.17	-0.07		
CAD	2.50	4.97	2.33	2.88	CAD	3.18	-0.01	14-Apr-33	3.98	-0.05	7 year	3.44	-0.06		
						Policy Meeting Run		15-May-34	4.12	-0.04	10 year	3.74	-0.05		
						NZD		15-May-35	4.23	-0.04	15 year	4.04	-0.04		
						AUD		15-May-36	4.34	-0.04	NZ Inflation-Indexed Bonds				
						USD		15-May-37	4.46	-0.03	Sept-30	1.59	-0.06		
						1st		15-May-41	4.79	-0.03	Sept-35	2.43	-0.03		
						2nd		15-May-51	5.06	-0.03	Sept-40	2.85	-0.02		
						3rd			5.09	-0.03					
						4th									
						5th									
* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer															
Rates are as of: NZT 06:58															
Source: Bloomberg															

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NZD exchange rates

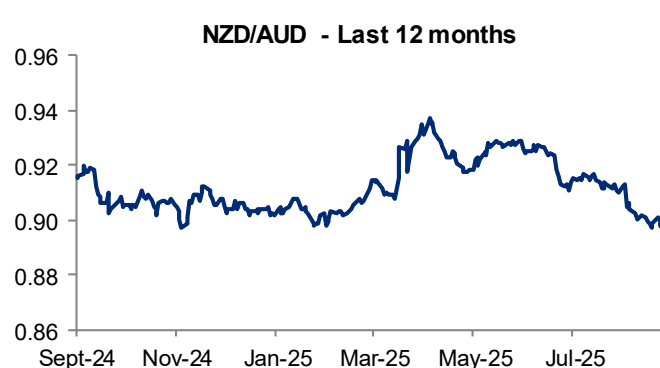
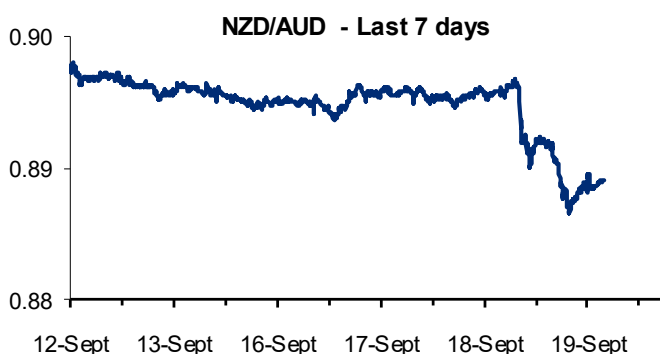
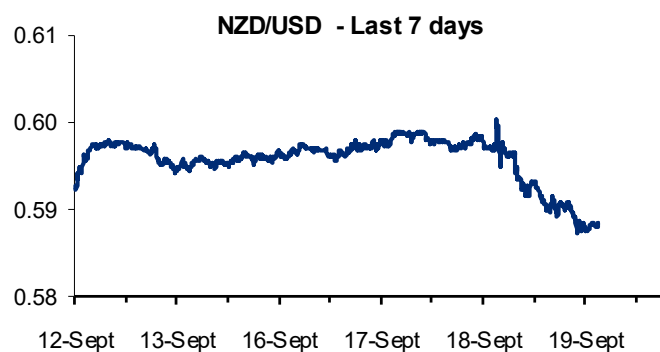
19/09/2025 6:58 am		Prev. NY close
USD	0.5882	0.5965
GBP	0.4340	0.4378
AUD	0.8892	0.8966
EUR	0.4990	0.5050
JPY	86.98	87.68
CAD	0.8114	0.8216
CHF	0.4661	0.4705
DKK	3.7252	3.7693
FJD	1.3243	1.3398
HKD	4.5740	4.6398
INR	51.83	52.38
NOK	5.8119	5.8599
PKR	165.51	167.93
PHP	33.56	33.93
PGK	2.4142	2.4477
SEK	5.5063	5.5464
SGD	0.7541	0.7623
CNY	4.1828	4.2377
THB	18.70	18.93
TOP	1.3655	1.3833
VUV	70.36	70.79
WST	1.6062	1.6153
XPF	59.70	60.35
ZAR	10.2039	10.3785

NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	6.21	6.41
3 Months	19.37	19.86
6 Months	37.48	38.47
9 Months	53.15	55.05
1 Year	65.10	68.10

NZD/AUD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	5.37	5.80
3 Months	18.26	19.34
6 Months	37.63	40.13
9 Months	56.71	61.21
1 Year	74.57	81.80



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