

Research Markets Today

20 August 2025

Events Round-Up

NZ: PPI output (q/q%), Q3: 0.6 vs. 2.1 prev.

AU: Westpac consumer confid., Aug: 98.5 vs. 93.1 prev.

US: Housing starts (m/m%), Jul: 5.2 vs. -1.8 exp.

US: Building permits (m/m%), Jul: -2.8 vs. -0.5 exp.

CA: CPI (y/y%), Jul: 1.7 vs. 1.8 exp.

CA: CPI core (avg median/trim, y/y%), Jul: 3.05 vs. 3.1 exp.

Good Morning

Newsflow has been light, but US equities are weaker, led by a notable fall in tech stocks. The risk-off vibe has seen US Treasuries well supported, with modest falls in rates. Commodity currencies have underperformed, resulting in the NZD probing levels just below 0.59 again.

Nothing concrete came out of the high-profile meeting between President Trump and European leaders regarding the Russia-Ukraine war. There was plenty of talk about possible further meetings, including a bilateral meeting between Putin and Zelensky and a possible trilateral meeting that might include Trump, but nothing is set in stone.

US and European officials are working on security guarantees for Ukraine. President Trump said that the US could play a role in a postwar security guarantee, possibly in the form of air support. Meanwhile, Russia continued to bombard Ukraine with drone attacks. Putin was briefed on the meeting and Russia's foreign ministry said any top-level meeting with Ukraine had to be "prepared extremely carefully".

On a day with little newsflow to drive markets, equity investors have decided to take profits on high-flying US equities, with some signs of sector rotation. While a small majority of sectors are in positive territory, the S&P500 is currently down 0.7% with the Nasdaq down a chunkier 1½%, as the IT sector significantly underperformed. European markets were stronger, with the Euro Stoxx 600 index closing up 0.7%.

Against the backdrop of lower risk appetite, US Treasuries are well supported, with falls in rates led by the long end. The 10-year rate is down 3bps for the day to 4.30%. Yesterday, S&P Global affirmed the US sovereign credit rating at AA+, noting "meaningful tariff revenue to

generally offset weaker fiscal outcomes that might otherwise be associated with the recent fiscal legislation, which contains both cuts and increases in tax and spending". The stable outlook reflected that while the fiscal deficit won't meaningfully improve, it also won't persistently deteriorate over the next several years.

In economic news, Canada's headline CPI rose 1.7% y/y in July, down from 1.9% and a tenth lower than expected. The average of the two key core measures was steady at 3.05%. Canadian rates fell modestly after the data, with the market seeing an increased chance of another rate cut this year, with a cut by December now almost fully priced. The CAD was also weaker, with USD/CAD up 0.4% for the day.

US housing data were mixed, with a 5.2% jump in housing starts in July against a 2.8% fall in building permits. The latter is a fairer reflection of current housing market dynamics and is a less volatile series.

Commodity currencies have underperformed, and the NZD and AUD have fallen slightly more than CAD overnight. The AUD is down to 0.6450 while the NZD has probed levels just below 0.59. NZD/AUD has pushed up to 0.9140, with some pre-positioning ahead of the RBNZ meeting today (see below). Other key NZD crosses are weaker, with NZD/EUR at 0.5060, NZD/GBP at 0.4370 and NZD/JPY pushing just below 87.

In the domestic rates market there were some nerves evident ahead of the RBNZ meeting, with receivers of short-end swaps looking to reduce positions, leading to the 2-year swap rate rising 5bps to 3.12%, notably higher than the trough of just over 3% towards the end of last week. Swap rates closed the day up 5-6bps across the curve, with heavy trading conditions in the Australian market contributing to the sell-off and this was also a factor in NZGB yields rising 4bps across the curve.

In the day ahead, the domestic focus will be on the RBNZ MPS, where a 25bps cut in the cash rate to 3.0% is universally expected and well-priced. Focus will be on the projections and policy guidance, in particular clues for how much further, if at all, the easing cycle might be extended. Tonight sees the release of UK CPI inflation data, where the market expects continuation of high, sticky, inflation running well above target.

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Coming Up

	Period	Cons.	Prev.	NZT
NZ RBNZ official cash rate (%)	Aug-25	3.0	3.25	14:00
UK CPI (y/y%)	Jul	3.7	3.6	18:00
UK CPI core (y/y%)	Jul	3.7	3.7	18:00
UK CPI services (y/y%)	Jul	4.8	4.7	18:00
US FOMC meeting minutes	Jul			06:00

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	0.5894	-0.5	0.5893	0.5931	CHF	0.8076	+0.0	S&P 500	6,403	-0.7	14.2	Oil (Brent)	65.85	-1.1
AUD	0.6451	-0.6	0.6450	0.6496	SEK	9.594	+0.3	Dow	44,852	-0.1	9.7	Oil (WTI)	62.40	-1.6
EUR	1.1646	-0.1	1.1642	1.1693	NOK	10.284	+0.8	Nasdaq	21,312	-1.5	19.2	Gold	3313.4	-0.5
GBP	1.3481	-0.2	1.3478	1.3531	HKD	7.800	-0.3	Stoxx 50	5,483	+0.9	12.6	HRC steel	832.0	+0.0
JPY	147.50	-0.3	147.45	147.90	CNY	7.183	-0.0	FTSE	9,189	+0.3	10.0	CRB	296.0	+0.2
CAD	1.3863	+0.4			SGD	1.285	+0.1	DAX	24,423	+0.4	32.6	Wheat Chic.	520.8	-0.8
NZD/AUD	0.9137	+0.1			IDR	16,246	+0.3	CAC 40	7,979	+1.2	6.4	Sugar	16.31	+0.4
NZD/EUR	0.5061	-0.3			THB	32.59	+0.3	Nikkei	43,546	-0.4	14.4	Cotton	66.25	-0.5
NZD/GBP	0.4372	-0.3			KRW	1,392	+0.3	Shanghai	3,727	-0.0	30.0	Coffee	349.1	+4.7
NZD/JPY	86.94	-0.7			TWD	30.11	+0.3	ASX 200	8,896	-0.7	11.2	WM powder	3885	+0.0
NZD/CAD	0.8171	-0.0			PHP	57.11	+0.2	NZX 50	12,929	-0.3	3.0	Australian Futures		
NZ TWI	68.31	-0.3						VIX Index	15.77	+5.2	+7.6	3 year bond	96.57	-0.06
Interest Rates												10 year bond	95.66	-0.01
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	4.50	4.85	3.51	3.77	USD	4.30	-0.03	15-Apr-27	3.21	0.04	BKBM 1-mth	3.14	0.00	
AUD	3.60	3.58	3.26	4.21	AUD	4.33	0.06	15-May-28	3.41	0.04	BKBM 3-mth	3.13	-0.01	
NZD	3.25	3.13	3.12	4.04	NZD	4.49	0.04	20-Apr-29	3.58	0.04	1 year	3.04	0.02	
EUR	2.00	2.03	2.09	2.69	GER	2.75	-0.01	15-May-30	3.77	0.04	2 year	3.12	0.05	
GBP	4.00	4.32	3.76	4.19	GBP	4.74	0.00	15-May-31	3.99	0.04	3 year	3.24	0.05	
JPY	0.48	-0.03	0.84	1.39	JPY	1.60	0.03	15-May-32	4.16	0.04	5 year	3.51	0.05	
CAD	2.75	4.97	2.57	3.13	CAD	3.44	-0.05	14-Apr-33	4.28	0.04	7 year	3.76	0.05	
						Policy Meeting Run			15-May-34	4.40	0.04	10 year	4.04	0.06
									15-May-35	4.49	0.04	15 year	4.31	0.05
						NZD AUD USD			15-May-36	4.59	0.04	NZ Inflation-Indexed Bonds		
						1st	3.04 3.59 4.11	15-May-37	4.71	0.04	Sep-30	1.98	0.04	
* These are indicative ranges from 5pm NZT;						2nd	2.99 3.52 3.98	15-May-41	5.00	0.04	Sep-35	2.67	0.04	
please confirm rates with your BNZ dealer						3rd	2.89 3.46 3.78	15-May-51	5.21	0.04	Sep-40	3.09	0.04	
Rates are as of: NZT 06:54						4th	2.82 3.25 3.68	15-May-54	5.23	0.04				
Source: Bloomberg						5th	2.81 3.12 3.55							

* These are indicative ranges from 5pm NZT;
please confirm rates with your BNZ dealer

Rates are as of: NZT 06:54

Source: Bloomberg

NZD exchange rates

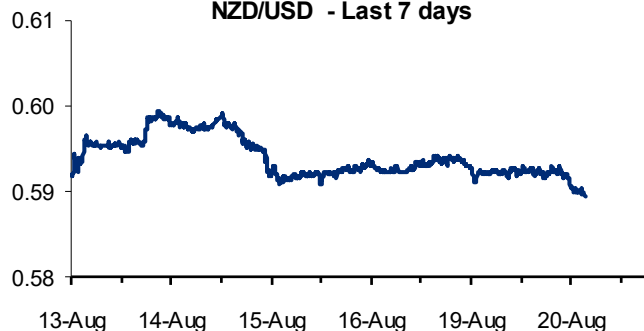
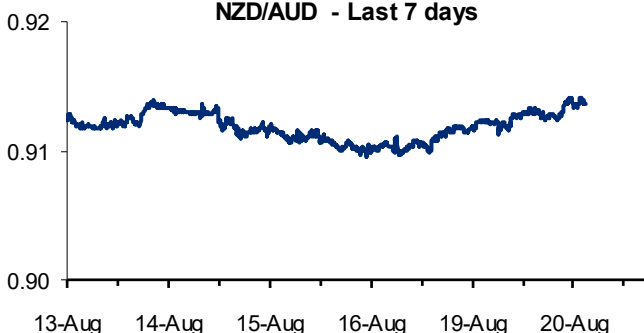
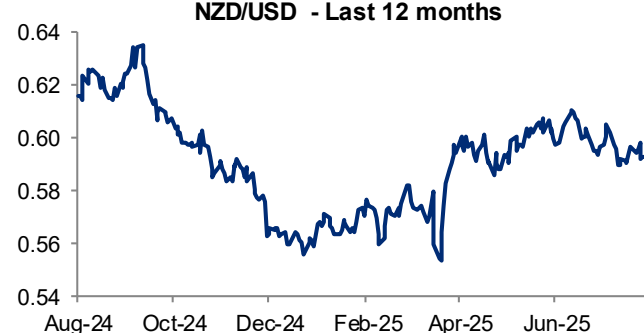
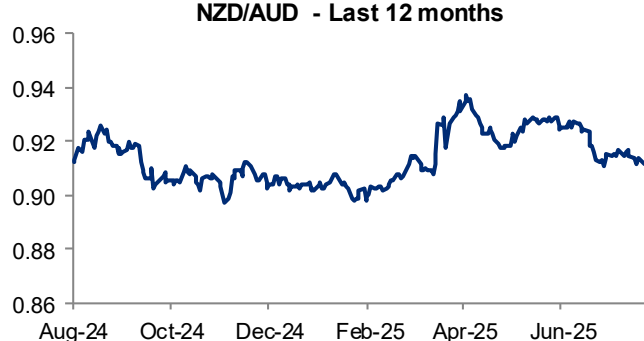
20/08/2025	6:54 am	Prev. NY close
USD	0.5894	0.5922
GBP	0.4372	0.4385
AUD	0.9137	0.9123
EUR	0.5061	0.5078
JPY	86.94	87.58
CAD	0.8171	0.8174
CHF	0.4762	0.4782
DKK	3.7772	3.7906
FJD	1.3382	1.3419
HKD	4.6010	4.6310
INR	51.30	51.73
NOK	6.0611	6.0427
PKR	166.45	167.23
PHP	33.69	33.78
PGK	2.4276	2.4122
SEK	5.6577	5.6648
SGD	0.7579	0.7606
CNY	4.2369	4.2549
THB	19.18	19.22
TOP	1.3815	1.4070
VUV	70.59	70.81
WST	1.6068	1.6167
XPF	60.26	60.49
ZAR	10.4275	10.4433

NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	6.87	6.99
3 Months	18.05	18.45
6 Months	33.02	34.03
9 Months	44.65	46.63
1 Year	53.65	56.65

NZD/AUD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	4.79	5.14
3 Months	13.01	13.95
6 Months	22.14	24.77
9 Months	29.56	34.30
1 Year	37.22	44.65

NZD/USD - Last 7 days**NZD/AUD - Last 7 days****NZD/USD - Last 12 months****NZD/AUD - Last 12 months**

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