

Research Markets Today

25 August 2025

Events Round-Up

UK: GfK consumer confidence, Aug: -17 vs. -19 exp.

JN: CPI (y/y%), Jul: 3.1 vs. 3.1 exp.

JN: CPI ex fr. food, energy (y/y%), Jul: 3.4 vs. 3.4 exp.

EA: Negotiated wages (%), Q2: 4.0 vs. 2.5 prev.

CA: Retail sales ex auto (m/m%), Jun: 1.9 vs. 0.8 exp.

Good morning

There were large moves across financial markets in response to US Federal Reserve Chair Powell's widely anticipated address at the Jackson Hole economic symposium. Powell signalled the Fed may cut rates in September triggering large gains in equity markets, a rally in treasuries and a sharply weaker US dollar. The S&P closed 1.5% higher and the Russell 2000 index of small cap US equities gained almost 4%. Credit spreads narrowed.

Chair Powell said that with policy in restrictive territory, the shifting balance of risks may warrant adjusting its policy stance. He noted downside risks to employment are rising and that it is reasonable to expect a short-lived impact on prices from tariffs. The speech comes amid unprecedented pressure from the US administration, which if maintained, threatens the Fed's independence in determining monetary policy.

The market increased the amount of Fed easing priced for this year. There is around 20bp of cuts priced for September FOMC and a total of 54bp by December, compared with 48bp before Powell's speech. However, recent comments from Fed officials suggest that there is still a range of views on the committee. And there are key data releases in the next month, especially the August labour market report, ahead of the September meeting.

The Congressional Budget Office has released updated estimates for the fiscal impact of tariffs. The announcements so far are forecast to reduce primary deficits by US\$3.3 trillion over the period to 2035, while interest payments would fall by an additional US\$700 billion. The additional revenue will help offset the fiscal impact of President Trump's One Big Beautiful Bill, which is projected to increase debt levels by US\$4.1 trillion over the period. The CBO noted that the estimates do not include the negative impact from the tariffs on growth.

US treasuries rallied strongly, led by the front end of the curve, as the market incorporated additional easing. 2-year yields declined 10bp to 3.70%. The 3.65%-3.70% region has formed the base of the trading range over the past few months. The treasury curve continued the recent steepening trend with 10-year closing 7bp lower at 4.25%.

The dollar fell sharply following Powell's speech aligned with the rally in US rates markets. The dollar index declined almost 1% with the gains almost uniformly distributed across the G10 currencies. The US dollar declined to the session lows after President Trump said he will fire Fed Governor Lisa Cook if she doesn't resign. NZD/USD traded up towards 0.5875, almost fully retracing the losses, from after the RBNZ meeting last week. The NZD was broadly stable on the major crosses.

Japan core CPI, which excludes fresh food and energy, increased 3.4% in July. This was in line with consensus expectations but well above the Bank of Japan's 2% target. Inflation dynamics suggest the central bank should resume normalising monetary policy. Market pricing implies the policy rate will remain unchanged at the September meeting while there is about a 50% chance of a 25bp hike in October.

RBNZ Chief Economist Paul Conway said the central bank views the recent lull in economic activity as temporary and that policy doesn't need to be 'overtly stimulatory'. He noted the economy is expected to recover in response to the current policy settings and the revival in the housing market, and its impact on residential construction, will be a key driver. He also said monetary policy is close to neutral having previously identified a 2.5% to 3.5% range for the OCR which neither curbs nor stimulates demand.

NZ swap ended the local session on Friday 1-2bp higher across the curve largely reacting to higher offshore yields. Government bonds moved higher in yield with further underperformance in the ultra-long part of the curve. 10-year yields increased 3bp to 4.35%. The 10y/30y NZGB curve steepened to 81bp, a new cycle high. Australian 10-year government bond futures are 5bp lower in yield terms since the local close on Friday, which suggests a downward bias for NZ yields on the open.

NZ retail sales for the June quarter are released today in an otherwise quiet regional calendar. Retail sales likely declined set against the backdrop of a weak labour market

and slowing population growth. Total electronic card transactions declined in nominal terms in Q2. The German IFO business survey is released later this evening. Expectations amongst businesses have been steadily improving and the advance August reading composite PMI edged higher.

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Coming Up

		Period	Cons.	Prev.	NZT
NZ	Retail Sales Ex Inflation (q/q%)	2Q	-0.3	0.8	10:45
GE	IFO Expectations	Aug		90.7	20:00
US	New Home Sales	Jul	628	627	02:00

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	0.5868	+0.9	0.5802	0.5876	CHF	0.8015	-0.9	S&P 500	6,467	+1.5	14.8	Oil (Brent)	67.73	+0.1		
AUD	0.6492	+1.1	0.6416	0.6501	SEK	9.497	-1.3	Dow	45,632	+1.9	10.8	Oil (WTI)	63.66	+0.2		
EUR	1.1722	+1.0	1.1589	1.1743	NOK	10.060	-1.2	Nasdaq	21,497	+1.9	20.2	Gold	3374.4	+1.1		
GBP	1.3528	+0.8	1.3402	1.3544	HKD	7.815	+0.0	Stoxx 50	5,488	+0.5	11.8	HRC steel	832.0	+0.1		
JPY	146.93	-1.0	146.58	148.74	CNY	7.168	-0.2	FTSE	9,321	+0.1	11.9	CRB	300.0	+0.5		
CAD	1.3827	-0.6			SGD	1.281	-0.6	DAX	24,363	+0.3	30.8	Wheat Chic.	527.3	-0.5		
NZD/AUD	0.9040	-0.2			IDR	16,351	+0.4	CAC 40	7,970	+0.4	5.2	Sugar	16.48	+0.8		
NZD/EUR	0.5006	-0.2			THB	32.41	-0.7	Nikkei	42,633	+0.1	11.1	Cotton	66.43	+0.8		
NZD/GBP	0.4338	-0.0			KRW	1,384	-1.1	Shanghai	3,826	+1.4	34.0	Coffee	378.3	+3.6		
NZD/JPY	86.22	-0.2			TWD	30.57	+0.2	ASX 200	8,967	-0.6	11.8	WM powder	3795	+0.0		
NZD/CAD	0.8113	+0.3			PHP	56.95	-0.1	NZX 50	13,043	-1.1	4.1	Australian Futures				
NZ TWI	67.77	+0.3					VIX Index	14.22	-14.3	-10.3	3 year bond	96.58	-0.03			
Interest Rates											7 year bond			95.71	0.05	
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	3.44	3.73	USD	4.25	-0.07	15-Apr-27	3.04	0.02	BKBM 1-mth	3.10	0.00			
AUD	3.60	3.56	3.22	4.16	AUD	4.31	0.04	15-May-28	3.26	0.03	BKBM 3-mth	3.03	0.01			
NZD	3.00	3.03	2.94	3.91	NZD	4.38	0.04	20-Apr-29	3.45	0.02	1 year	2.85	0.00			
EUR	2.00	2.03	2.08	2.67	GER	2.72	-0.04	15-May-30	3.64	0.02	2 year	2.94	0.01			
GBP	4.00	4.32	3.74	4.17	GBP	4.69	-0.04	15-May-31	3.86	0.02	3 year	3.08	0.02			
JPY	0.48	-0.03	0.85	1.39	JPY	1.63	0.02	15-May-32	4.03	0.02	5 year	3.36	0.02			
CAD	2.75	4.97	2.56	3.13	CAD	3.44	-0.04	14-Apr-33	4.16	0.03	7 year	3.62	0.02			
							Policy Meeting Run			10 year			3.91	0.02		
							NZD AUD USD			15 year			4.20	0.02		
							1st	2.83	3.59	4.13				NZ Inflation-Indexed Bonds		
							2nd	2.65	3.52	3.99				Sep-30	1.91	0.02
							3rd	2.57	3.44	3.78				Sep-35	2.64	0.03
							4th	2.56	3.25	3.65				Sep-40	3.05	0.03
							5th	2.55	3.12	3.50						
* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer																
Rates at NY close																
Source: Bloomberg																

NZD exchange rates

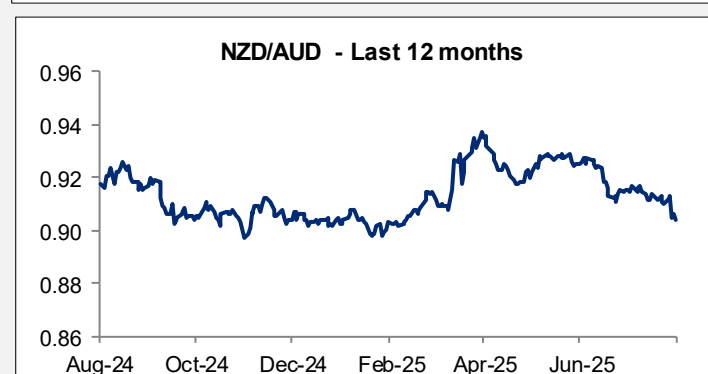
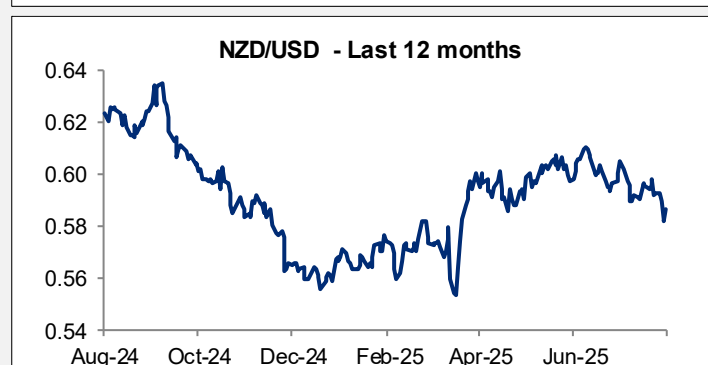
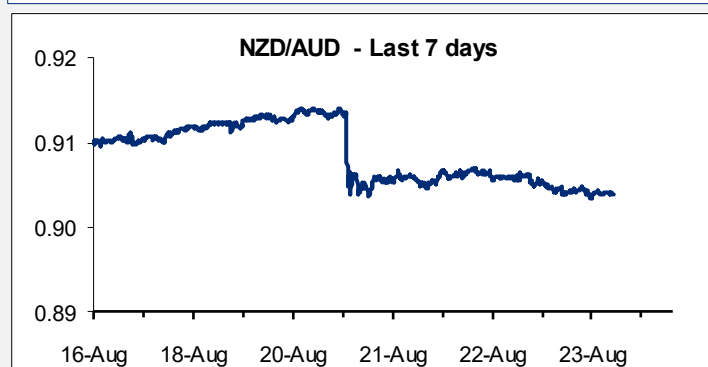
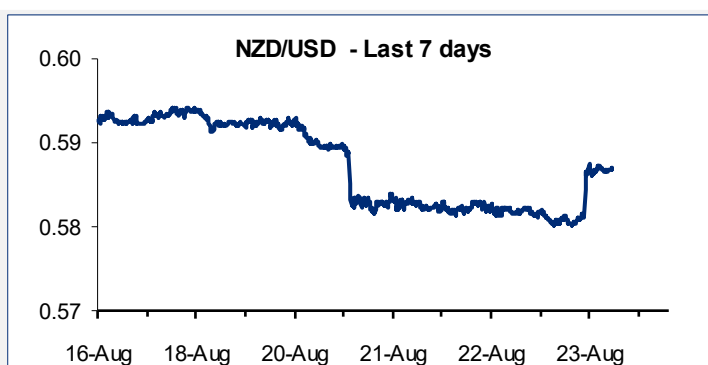
23/08/2025	NY close	Prev. NY close
USD	0.5868	0.5818
GBP	0.4338	0.4338
AUD	0.9040	0.9062
EUR	0.5006	0.5013
JPY	86.22	86.32
CAD	0.8113	0.8093
CHF	0.4702	0.4705
DKK	3.7362	3.7423
FJD	1.3259	1.3241
HKD	4.5845	4.5461
INR	51.34	50.77
NOK	5.9010	5.9241
PKR	165.35	164.16
PHP	33.40	33.14
PGK	2.4160	2.3962
SEK	5.5709	5.6001
SGD	0.7517	0.7498
CNY	4.2045	4.1776
THB	19.15	18.98
TOP	1.3738	1.3816
VUV	70.46	69.96
WST	1.6056	1.5914
XPF	59.77	59.70
ZAR	10.2356	10.3081

NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	6.51	6.79
3 Months	18.92	19.41
6 Months	36.70	37.70
9 Months	50.81	52.81
1 Year	61.65	65.42

NZD/AUD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	4.73	5.36
3 Months	14.49	15.53
6 Months	28.17	30.84
9 Months	39.94	44.69
1 Year	50.15	60.01



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