

Market Alert

Tuesday 16 December 2025

CURRENCIES	Spot	6mths
NZD/USD	0.5785	0.0037
NZD/AUD	0.8717	0.0059
NZD/JPY	89.885	-0.84
NZD/EUR	0.4928	-0.0010
NZD/GBP	0.4329	0.0030
NZD/CNH	4.0751	-0.0163
AUD/USD	0.6635	-0.0003
AUD/EUR	0.5652	-0.0051
EUR/USD	1.1739	0.0099
USD/CNH	7.0443	-0.0731
GBP/USD	1.3360	-0.0008
EUR/GBP	0.8783	0.0078
INT RATES	NZ	Australia
OCR/Cash	2.25%	3.60%
90 day bills	2.48%	3.76%
2 year swap	3.11%	4.00%
10 year Govt	4.60%	4.84%

Summing up the action

It was a quiet session. The USD-index continues to flatline around the 98.00 level, while the NZD weakened on the Governor's comments that financial conditions are tightening, with the NZD/USD falling to a low of 0.5766 before slightly recovering to now sit at the 0.5780 level. The comments also weighed on local swap rates, with most tenors falling 6bps-9bps, and those moves will likely be cemented in this morning after international fixed income markets were largely unchanged overnight with the 2-year Treasury 2bps lower at 3.51% while the 10-years flatlined at 4.18%.

Equity markets were mixed, and largely unchanged, while commodity markets maintained their recent trend with oil prices falling 1.00% while silver rallied 2.8% and copper added 1.0%.

All of the news, in one easy spot!

RBNZ Governor Dr. Anna Breman gave another speech, this time stating, "We continue to see signs that growth is recovering after having stalled in the middle of this year. The labour market is still weak but is expected to recover as demand in the economy strengthens. We remain confident that annual headline CPI inflation will decline towards the 2.0% target mid-point by the middle of next year. If economic conditions evolve as expected the OCR is likely to remain at its current level of 2.25% for some time," although she then added, "Financial market conditions have tightened since the November decision, beyond what is implied by our central projection for the OCR."

On a side note, the NZ Inland Revenue Department made applications to wind up more than 120 businesses in November, as it moves towards liquidating almost 900 businesses with outstanding tax obligations.

China's economic momentum continues to weaken into year-end with the November releases disappointing. Retail sales in the 12 months to November grew at just 1.3%, against forecasts at 2.9%, industrial production increased 4.8%, although expectations had been at 5.0%, new house prices contracted 0.4% on the month and 2.4% on the year, while used house prices contracted 0.7% on the month.

Headline Canadian inflation held at 2.2% in November, unchanged from October and below expectations at 2.3%.

The NY Empire State manufacturing index dropped into contractionary territory at negative 3.9 in December, below forecasts at 10 and down from October's 1-year high at 18.7. But on a positive note, the NAHB/Wells Fargo housing index inched up to an 8-month high at 39, which was above forecasts of 38.

Word on the street is that Brussels is planning to scrap the 2035 combustion engine ban.

All of the Fed's chit-chat!

New York Fed President John Williams confirmed he was, "Very supportive of the Fed's decision to cut interest rates last week," before adding, "I expect the in-coming jobs data will show a gradual cooling. Some signs that parts of the underlying economy are not as strong as GDP data suggests. Strong markets are part of the reason why the economy will grow robustly in 2026. Market valuations are elevated, but there are reasons for current pricing."

Colleague Susan Collins then added, "I supported the rate cut amongst the shifting balance of risks, but it was a close call. I see future inflation risks as lower than they were."

Finally, perma-bear Stephen Miran reiterated, "Policy is too restrictive and underlying inflation close to target. If the labour market continues on this trajectory, along with inflation, we will be in a really bad spot in 2027, because we kept policy too tight."

Last, but by no means least, RIP Rob Reiner. The man sure knew how to make an entertaining movie!



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Daily Rates

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FX	Spot	FECs (mid)				Spot Mid	
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...
NZ TWI	67.10					CAD	0.7969
NZD/USD	0.5785	0.0008	0.0020	0.0037	0.0054	CHF	0.4610
NZD/AUD	0.8717	0.0010	0.0028	0.0059	0.0113	CNY	4.0860
NZD/JPY	89.8850	-0.18	-0.42	-0.8429	-1.72	DKK	3.6790
NZD/EUR	0.4928	-0.0002	-0.0005	-0.0010	-0.0028	FJD	1.2868
NZD/GBP	0.4329	0.0006	0.0016	0.0030	0.0047	HKD	4.5003
						KRW	849.77
AU TWI	62.00					MYR	2.3652
AUD/USD	0.6635	0.0001	0.0001	-0.0003	-0.0027	NOK	5.8752
AUD/NZD	1.1465	-0.0014	-0.0039	-0.0082	-0.0166	SEK	5.3788
AUD/JPY	103.13	-0.32	-0.83	-1.67	-3.35	SGD	0.7461
AUD/EUR	0.5652	-0.0009	-0.0024	-0.0051	-0.0108	TWD	18.11
AUD/GBP	0.4965	0.0001	0.0002	0.0000	-0.0013	ZAR	9.72
USD Index	98.36					EQUITIES	
EUR/USD	1.1739	0.0021	0.0052	0.0099	0.0176		Index
USD/JPY	155.38	-0.51	-1.27	-2.44	-4.40	NZX50	13,408
GBP/USD	1.3360	-0.0001	-0.0004	-0.0008	-0.0022	ASX200	8,635
EUR/GBP	0.8783	0.0016	0.0041	0.0078	0.0143	Dow Jones	48,367
USD/CNY	7.0472	-0.0132	-0.0360	-0.0716	-0.1292	S&P 500	6,823
						FTSE100	9,751
INTEREST		New Zealand		Australia		DAX 40	24,230
RATES		Mid		Mid		Nikkei	50,168
30 day bank bills			2.41%		3.60%	COMMODITIES	
90 day bank bills			2.48%		3.76%		USD
1 year swap			2.69%		3.87%	Brent Crude	60.33
2 year swap			3.11%		4.00%	Gold	4,312.51
3 year swap			3.39%		4.06%	Silver	63.84
5 year swap			3.75%		4.20%	Iron Ore	106.05
10 year swap			4.23%		4.55%	CRB Index	373.19
3 year Govt bond			3.48%		4.12%		
5 year Govt bond			3.97%		4.33%		NZD
10 year Govt bond			4.60%		4.84%	NZ Carbon	39.75

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