# Market Alert

Thursday 18 September 2025

| CURRENCIES | Spot | 6mths |
|---|---|---|
| NZD/USD | 0.5969 | 0.0034 |
| NZD/AUD | 0.8962 | 0.0033 |
| NZD/JPY | 87.620 | -1.03 |
| NZD/EUR | 0.5047 | -0.0021 |
| NZD/GBP | 0.4377 | 0.0027 |
| NZD/CNH | 4.2408 | -0.0254 |
| AUD/USD | 0.6658 | 0.0013 |
| AUD/EUR | 0.5629 | -0.0044 |
| EUR/USD | 1.1825 | 0.0114 |
| USD/CNH | 7.0989 | -0.0828 |
| GBP/USD | 1.3637 | -0.0007 |
| EUR/GBP | 0.8672 | 0.0087 |
| **INT RATES** | **NZ** | **Australia** |
| OCR/Cash | 3.00% | 3.60% |
| 90 day bills | 2.96% | 3.61% |
| 2 year swap | 2.79% | 3.25% |
| 10 year Govt | 4.36% | 4.34% |

## The surprise ... was that there was no surprise!

While everyone had been anticipating this week's pivot by the Federal Reserve, it ultimately became a scripted side show.

Breaking it down ... the FOMC cut the Fed Funds rate by 25bps to 4.0%-4.25%, as was expected. The 'Dot Plot' projections from the members forecasts another 50bps of cuts by the end of 2025, with a further 25bps of cuts in 2026, slightly more than they anticipated in June. New Fed Governor, Stephen Miran, who only joined the board this week, voted against the decision in favour of a 50bps cuts ... which increased his personal odds of becoming the new Governor.

The Summary of Economic Projections displayed several interesting contradictions. The policy statement added language to flag increasing downside employment risks, noting that, "*Job gains have slowed, and (while) the unemployment rate has edged up, it remains low. The downside risks to employment have risen,*" while also acknowledging higher inflation, noting, *"Inflation has moved up and remains somewhat elevated."* The Fed estimates inflation will be at 3.1% at the end of 2025, which is the same levels as projected in June, while their growth outlook has lifted from 1.4% to 1.6% by the end of 2025, and from 1.6% to 1.8% in 2026.

In the Q&A session, Jerome Powell emphasised, *"It's a risk management cut. We're in a meeting-by-meeting situation. We have begun to see goods prices showing through into higher inflation, and actually the increase in goods prices, accounts for most of the increase in inflation, or perhaps all of the increase in inflation over the course of this year."* Other comments of interest were, *"Inflation has eased significantly from its highs in mid-2022 but remains somewhat elevated relative to our 2.0% longer run goal."* On the political pressure from the White House, he added, *"There wasn't widespread support at all for a 50bps cut,"* while on the new member Stephen Miran he added, *"One voter can move the needle is by making incredibly persuasive arguments. That's in the DNA of the institution. That's not going to change."*

So, while there weren't any surprises of note, the FOMC's projections of a further 3 rate cuts verse the markets' pricing of 4 saw treasury yields rebound, with the 2-years firming 4bps to 3.55% while the 10-years bounced to 4.07% after briefly trading below the 5-month low of 3.98%.

The USD-index briefly traded at a 3.5-year low before rebounding to close the session 0.3% higher. This saw most of the G10 currencies ease back from their recent highs, with the NZD/USD still below the 0.6000 level, although the AUD/USD has held the 0.6650 support.

US equity markets posted modest gains following on from the 'down' session in European markets, while commodity prices closed 1.0% to 2.0% lower. Interestingly, hedge fund 'guru' Jeff Gundlach announced, *"Gold will 'almost certainly' close above USD4,000 before year end."*

## Looking at the other headlines

The Bank of Canada cut their cash rate by 25bps to 2.50%, as was expected, with the central bank resuming its cutting cycle following three consecutive 'holds.' The central bank noted that the Canadian economy showed signs of fragility due to the US tariffs, as evidenced by the Q2 1.6% GDP contraction amid the 27% decline in exports.

UK inflation held steady at 3.8% in August, unchanged from July.

Speaking at the Havard Club, ECB member Joachim Nagal emphasised the ECB's readiness to adapt to unforeseen shifts and stressed the importance of maintaining caution amid prevailing uncertainties.

## RIP ...

young Robert. Yes, *Butch Cassidy and the Sundance Kid* was good, but my personal favourite was *The Sting*. ... well worth the watch on a rainy day if you can find it.

# Daily Rates

Thursday 18 September 2025

| FX | Spot Mid | FECs (mid) 1mth | 3mths | 6mths | 12mths |
|---|---|---|---|---|---|
| NZ TWI | 68.40 | | | | |
| NZD/USD | 0.5969 | 0.0006 | 0.0018 | 0.0034 | 0.0057 |
| NZD/AUD | 0.8962 | 0.0005 | 0.0017 | 0.0033 | 0.0063 |
| NZD/JPY | 87.620 | -0.21 | -0.54 | -1.03 | -1.93 |
| NZD/EUR | 0.5047 | -0.0005 | -0.0011 | -0.0021 | -0.0040 |
| NZD/GBP | 0.4377 | 0.0004 | 0.0013 | 0.0027 | 0.0052 |
| | | | | | |
| AU TWI | 61.50 | | | | |
| AUD/USD | 0.6658 | 0.0003 | 0.0008 | 0.0013 | 0.0014 |
| AUD/NZD | 1.1156 | -0.0007 | -0.0022 | -0.0044 | -0.0085 |
| AUD/JPY | 97.64 | -0.28 | -0.80 | -1.53 | -2.89 |
| AUD/EUR | 0.5629 | -0.0008 | -0.0023 | -0.0044 | -0.0085 |
| AUD/GBP | 0.4882 | 0.0001 | 0.0005 | 0.0011 | 0.0022 |
| | | | | | |
| USD Index | 96.95 | | | | |
| EUR/USD | 1.1825 | 0.0022 | 0.0061 | 0.0114 | 0.0204 |
| USD/JPY | 146.80 | -0.49 | -1.36 | -2.56 | -4.59 |
| GBP/USD | 1.3637 | 0.0002 | 0.0002 | -0.0007 | -0.0038 |
| EUR/GBP | 0.8672 | 0.0015 | 0.0044 | 0.0087 | 0.0168 |
| USD/CNY | 7.1033 | -0.0145 | -0.0417 | -0.0765 | -0.1396 |

| Spot Mid | NZD/... | AUD/... |
|---|---|---|
| CAD | 0.8217 | 0.9167 |
| CHF | 0.4704 | 0.5251 |
| CNY | 4.2389 | 4.7290 |
| DKK | 3.7668 | 4.2023 |
| FJD | 1.3177 | 1.4701 |
| HKD | 4.6405 | 5.1770 |
| KRW | 822.62 | 917.73 |
| MYR | 2.4988 | 2.7877 |
| NOK | 5.8521 | 6.5287 |
| SEK | 5.5416 | 6.1823 |
| SGD | 0.7622 | 0.8503 |
| TWD | 17.94 | 20.02 |
| ZAR | 10.37 | 11.57 |

| INTEREST RATES | New Zealand Mid | Australia Mid |
|---|---|---|
| 30 day bank bills | 3.06% | 3.59% |
| 90 day bank bills | 2.96% | 3.61% |
| 1 year swap | 2.76% | 3.34% |
| 2 year swap | 2.81% | 3.30% |
| 3 year swap | 2.95% | 3.35% |
| 5 year swap | 3.24% | 3.72% |
| 10 year swap | 3.79% | 4.13% |
| 3 year Govt bond | 3.22% | 3.43% |
| 5 year Govt bond | 3.62% | 3.67% |
| 10 year Govt bond | 4.36% | 4.34% |

| EQUITIES | Index |
|---|---|
| NZX50 | 13,228 |
| ASX200 | 8,819 |
| Dow Jones | 46,018 |
| S&P 500 | 6,601 |
| FTSE100 | 9,208 |
| DAX 30 | 23,359 |
| Nikkei | 44,790 |

| COMMODITIES | USD |
|---|---|
| Brent Crude | 67.90 |
| Gold | 3,660.97 |
| Silver | 41.63 |
| Iron Ore | 105.42 |
| CRB Index | 376.39 |
| | NZD |
| NZ Carbon | 58.00 |