

Market Alert

Wednesday 18 February 2026

CURRENCIES	Spot	6mths
NZD/USD	0.6048	0.0036
NZD/AUD	0.8536	0.0068
NZD/JPY	92.715	-0.79
NZD/EUR	0.5105	-0.0011
NZD/GBP	0.4460	0.0025
NZD/CNH	4.1632	-0.0192
AUD/USD	0.7084	-0.0014
AUD/EUR	0.5980	-0.0061
EUR/USD	1.1846	0.0097
USD/CNH	6.8836	-0.0721
GBP/USD	1.3559	0.0004
EUR/GBP	0.8735	0.0067
INT RATES	NZ	Australia
OCR/Cash	2.25%	3.85%
90 day bills	2.51%	4.01%
2 year swap	3.04%	4.18%
10 year Govt	4.46%	4.78%

Inflation still a worry

Overnight, the data out of the US reinforced the current rhetoric that inflation remains a key point for the interest rate path. The New York Fed's February Empire manufacturing survey printed at 7.1 stronger than the 6.4 expected, pointing to modest expansion for a second month running. The detail, however, was more mixed than the headline. Measures of input and selling prices jumped, keeping the inflation conversation alive even as parts of the activity story, notably shipments, softened.

That same 'job's not done' on controlling inflation rhetoric ran through Fed commentary. Governor Michael Barr said it would be "prudent" to take time and assess the data before changing policy again, emphasising he wants more evidence inflation is ebbing toward 2.0%

and noting the risk it remains above target. Chicago Fed President Austan Goolsbee struck a similar note, warning that services inflation is "not tame" and signalling rate cuts remain conditional on clearer progress.

Other data headlines included:

- Canadian CPI eased to 2.3% y/y (vs 2.4% expected)
- UK unemployment lifted to 5.2%, while wage growth cooled, pushing markets to fully price in two BOE rate cuts this year
- Eurozone ZEW sentiment slipped unexpectedly in February, falling from 40.8 to 39.4.

Looking at last night's price action

Today's focal point locally is the RBNZ OCR decision and the *Monetary Policy Statement*. The market expectation is for the OCR to be held at 2.25%, alongside a set of projections that may pull forward the first OCR hike track toward late-2026 after the upside inflation surprise in Q4. The key risk flagged in market previews is that expectations have already moved a long way since the RBNZ's last meeting in late November. The focus will be on the RBNZ's updated forecast with the late 2026 hiking cycle currently expected by markets and local banks leaving room for market volatility if the RBNZ track varies from what is currently expected.

Yesterday's NZ selected price indicators update suggested the inflation pulse is a little softer overall, but with clear pockets of pressure still present. Food prices rose 2.5% in January and are 4.6% higher than

a year earlier, while rent inflation which makes up a large proportion of the CPI basket were mixed: the stock (existing) measure was flat in January, 1.2% higher than a year earlier but the flow measure (new tenancies) jumped 5.6%, and was 1.6% higher than a year earlier. Annual electricity and gas inflation remain very high at 11.5% and 14.1%.

Across the Tasman, the RBA minutes reinforced that policy remains data-dependent and that inflation risks haven't disappeared, keeping the possibility of further tightening on the table if progress stalls. In Japan, tightening expectations also remain a live theme: former BOJ board member Seiji Adachi has flagged April as a plausible timing for the next rate hike, while BOJ board commentary has kept "Spring" firmly in play.

Market Action

Last night was very mute in terms of price action. Markets reopened after the US holiday with a cautious tone, as ongoing questions around AI investment continued to cap risk appetite. The USD index is slightly stronger and is now back above the 97.00 level. This did not lead to NZD or AUD weakness as both currencies outperformed overnight and are now slightly higher around the 0.6050 and 0.7090. US Treasury yields are slightly higher with the 10-year up 1bp at 4.06%, while US equity indices are slightly higher overnight. Finally, in terms of commodities, oil prices eased after Iran said talks had reached a "general agreement" on principles for a potential deal with the US.

Daily Rates

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FX	Spot	FECs (mid)				Spot Mid	
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...
NZ TWI	68.20					CAD	0.8246
NZD/USD	0.6048	0.0006	0.0019	0.0036	0.0050	CHF	0.4657
NZD/AUD	0.8536	0.0009	0.0031	0.0068	0.0140	CNY	4.1704
NZD/JPY	92.7150	-0.13	-0.41	-0.7930	-1.59	DKK	3.8128
NZD/EUR	0.5105	-0.0002	-0.0005	-0.0011	-0.0032	FJD	1.3104
NZD/GBP	0.4460	0.0005	0.0013	0.0025	0.0039	HKD	4.7251
						KRW	872.14
AU TWI	65.00					MYR	2.3567
AUD/USD	0.7084	-0.0001	-0.0004	-0.0014	-0.0051	NOK	5.7655
AUD/NZD	1.1716	-0.0013	-0.0045	-0.0095	-0.0196	SEK	5.4285
AUD/JPY	107.87	-0.27	-0.88	-1.78	-3.62	SGD	0.7633
AUD/EUR	0.5980	-0.0009	-0.0028	-0.0061	-0.0134	TWD	18.97
AUD/GBP	0.5223	0.0000	-0.0004	-0.0013	-0.0039	ZAR	9.68
USD Index	97.16					EQUITIES	
EUR/USD	1.1846	0.0016	0.0049	0.0097	0.0179	Index	
USD/JPY	153.29	-0.36	-1.15	-2.19	-4.00	NZX50	13,032
GBP/USD	1.3559	-0.0001	0.0002	0.0004	-0.0007	ASX200	8,959
EUR/GBP	0.8735	0.0012	0.0035	0.0067	0.0132	Dow Jones	49,633
USD/CNY	6.908	-0.0122	-0.0368	-0.0705	-0.1295	S&P 500	6,858
						FTSE100	10,556
INTEREST		New Zealand		Australia		DAX 40	24,998
RATES		Mid		Mid		Nikkei	56,566
30 day bank bills		2.41%		3.84%		COMMODITIES	
90 day bank bills		2.51%		4.01%		USD	
1 year swap		2.65%		4.17%		Brent Crude	67.44
2 year swap		3.04%		4.18%		Gold	4,893.02
3 year swap		3.30%		4.21%		Silver	73.73
5 year swap		3.63%		4.31%		Iron Ore	99.66
10 year swap		4.07%		4.57%		CRB Index	385.93
3 year Govt bond		3.43%		4.25%			
5 year Govt bond		3.87%		4.38%			
10 year Govt bond		4.46%		4.78%		NZ Carbon	43.05

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