# Market Alert

Tuesday 25 August 2026

| CURRENCIES | Spot | 6mths |
|---|---|---|
| NZD/USD | 0.5959 | 0.0027 |
| NZD/AUD | 0.8336 | 0.0061 |
| NZD/JPY | 94.835 | -0.94 |
| NZD/EUR | 0.5109 | -0.0013 |
| NZD/GBP | 0.4372 | 0.0020 |
| NZD/CNH | 4.0055 | -0.0346 |
| AUD/USD | 0.7148 | -0.0021 |
| AUD/EUR | 0.6127 | -0.0061 |
| EUR/USD | 1.1663 | 0.0080 |
| USD/CNH | 6.7218 | -0.0889 |
| GBP/USD | 1.3629 | -0.0004 |
| EUR/GBP | 0.8554 | 0.0061 |

| INT RATES | NZ | Australia |
|---|---|---|
| OCR/Cash | 2.50% | 4.35% |
| 90 day bills | 3.01% | 4.54% |
| 2 year swap | 3.64% | 4.55% |
| 10 year Govt | 4.81% | 5.12% |

## *"No one is above the reach of US sanctions"*

Treasury Secretary Scott Bessent warned of an *"an economic D-Day."*

Unveiling *"Operation Economic Outcast,"* an economic campaign targeting Iran and its trading partners, Washington is attempting to choke Tehran's remaining trade channels, although questions remain as to whether the US would also target Iran's top trading partner, China.

Tehran retaliated by blacklisting 45 commercial vessels and threatening new tanker attacks in the Strait of Hormuz. However, intelligence reports suggest Iran's leverage over the shipping lane may be fading, with US-supervised transits through the alternative Oman corridor surging 400%.

Oil prices fell over 2.4% as investors assessed whether the penalties on third-party entities doing business with Iran will hasten a diplomatic resolution or trigger further energy export disruptions. Meanwhile, fiscal credibility fears have driven gold back above USD4,650 an ounce, while Bitcoin has recovered to USD78k.

Bond markets also had an interesting session overnight after senior officials revealed the Treasury may deploy its near USD1.0 trillion Treasury General Account ("TGA") to fund its expanded bond buybacks. The TGA is essentially the government's checking account, a 'rainy day' fund held by the Federal Reserve, funded through tax collections. Secretary Bessent has built up the TGA to around USD950.0bn, compared with its stated goal under the Biden administration of around USD550.0bn-USD600.0bn. It means the Treasury could aggressively purchase long-term bonds without flooding the market with short-term bill issuance, the assumed *"Treasury Twist"* operation.

Market scepticism regarding the Treasury's capacity to alter the curve had sent yields higher recently, although today's adjustment eased some of that pressure with the 10 and 30-year yields easing 3bps to 4.71% and 5.24% respectively, although the 10-years remains close to its recent 20-month high of 4.75%. In Europe, the German 10-year Bund yield held above 3.20%, hovering near its highest level since 2011.

The USD-index edged up slightly, to 99.0, although it remains near its 3-month low. In amongst the moves, the NZD was the 'biggest loser' against the USD and on the crosses, while the AUD took 2nd place.

## On the data front ...

- The Chicago Fed National Activity Index ("CFNAI") ticked down to -0.08 in July from 0.06 in June.
- NZ retail sales unexpectedly dropped 0.5% in Q2, reversing Q1's upwardly revised 1.0%. It was the first quarterly decline in retail sales since Q3 2024.

Trade tensions flared again after President Trump declared the US will increase tariffs on Canadian manufactured vehicles to 50%.

## Political Policy Shift

New Zealand's main opposition party, the Labour Party, has pledged to restore the RBNZ's dual mandate -targeting both inflation and employment - if elected to government on 7 November.

The central bank currently operates under a single mandate focused exclusively on price stability, aiming to maintain inflation between 1.0% and 3.0%, with a specific 2.0% target. The dual mandate was first introduced in 2018 under the previous Labour-NZ First government, before the current National, ACT, and, yes, you guessed it, NZ First coalition government removed it in 2023.

Economists generally view the mandate shift as having little practical impact during a traditional demand shock. However, an added employment mandate could have an impact during a supply shock, giving the central bank more flexibility to tolerate above-target inflation for longer, provided policymakers remain confident that core inflation will safely return to target over the medium term.

# Daily Rates

Tuesday 25 August 2026

| FX | Spot Mid | FECs (mid) 1mth | 3mths | 6mths | 12mths |
|---|---|---|---|---|---|
| NZ TWI | 67.40 | | | | |
| NZD/USD | 0.5959 | 0.0005 | 0.0014 | 0.0027 | 0.0044 |
| NZD/AUD | 0.8336 | 0.0011 | 0.0032 | 0.0061 | 0.0105 |
| NZD/JPY | 94.835 | -0.17 | -0.46 | -0.9410 | -1.92 |
| NZD/EUR | 0.5109 | -0.0002 | -0.0006 | -0.0013 | -0.0032 |
| NZD/GBP | 0.4372 | 0.0004 | 0.0010 | 0.0020 | 0.0037 |
| | | | | | |
| AU TWI | 66.10 | | | | |
| AUD/USD | 0.7148 | -0.0004 | -0.0011 | -0.0021 | -0.0039 |
| AUD/NZD | 1.1993 | -0.0017 | -0.0048 | -0.0091 | -0.0164 |
| AUD/JPY | 113.94 | -0.36 | -0.99 | -1.96 | -3.72 |
| AUD/EUR | 0.6127 | -0.0011 | -0.0031 | -0.0061 | -0.0115 |
| AUD/GBP | 0.5242 | -0.0003 | -0.0008 | -0.0015 | -0.0022 |
| | | | | | |
| USD Index | 99.02 | | | | |
| EUR/USD | 1.1663 | 0.0015 | 0.0041 | 0.0080 | 0.0157 |
| USD/JPY | 159.14 | -0.42 | -1.15 | -2.28 | -4.39 |
| GBP/USD | 1.3629 | 0.0000 | -0.0001 | -0.0004 | -0.0017 |
| EUR/GBP | 0.8554 | 0.0011 | 0.0030 | 0.0061 | 0.0123 |
| USD/CNY | 6.7219 | -0.0153 | -0.0448 | -0.0885 | -0.1787 |

| | Spot Mid NZD/... | AUD/... |
|---|---|---|
| CAD | 0.8247 | 0.9896 |
| CHF | 0.4779 | 0.5737 |
| CNY | 4.0039 | 4.8045 |
| DKK | 3.8180 | 4.5807 |
| FJD | 1.2922 | 1.5503 |
| HKD | 4.6681 | 5.6014 |
| KRW | 823.64 | 988.18 |
| MYR | 2.4066 | 2.8874 |
| NOK | 5.5445 | 6.6530 |
| SEK | 5.6553 | 6.7860 |
| SGD | 0.7568 | 0.9080 |
| TWD | 18.96 | 22.75 |
| ZAR | 9.54 | 11.45 |

| INTEREST RATES | New Zealand Mid | Australia Mid |
|---|---|---|
| 30 day bank bills | 2.86% | 4.36% |
| 90 day bank bills | 3.01% | 4.54% |
| 1 year swap | 3.37% | 4.57% |
| 2 year swap | 3.64% | 4.55% |
| 3 year swap | 3.79% | 4.54% |
| 5 year swap | 4.01% | 4.57% |
| 10 year swap | 4.42% | 4.85% |
| 3 year Govt bond | 3.89% | 4.59% |
| 5 year Govt bond | 4.23% | 4.69% |
| 10 year Govt bond | 4.81% | 5.12% |

| EQUITIES | Index |
|---|---|
| NZX50 | 13,882 |
| ASX200 | 9,103 |
| Dow Jones | 53,417 |
| S&P 500 | 7,653 |
| FTSE100 | 10,854 |
| DAX 40 | 26,107 |
| Nikkei | 65,528 |

| COMMODITIES | USD |
|---|---|
| Brent Crude | 92.10 |
| Gold | 4,653.80 |
| Silver | 68.84 |
| Iron Ore | 95.21 |
| CRB Index | 517.26 |

| | NZD |
|---|---|
| NZ Carbon | 51.50 |



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