

# FX Viewpoint

Currencies  
Global

## JPY and NZD: Underperformance to continue?

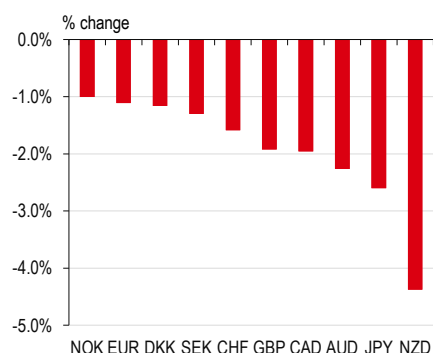
- ◆ There is limited scope for the quarter-to-date underperformance of the JPY and the NZD to extend...
- ◆ ...which the JPY would be supported by converging US-Japan rates, amongst other domestic developments...
- ◆ ...while positive factors for the NZD may be delayed

So far this quarter, the NZD is the worst-performing G10 currency, with the JPY coming in second to last (Chart 1). The question arises as to whether or not this trend will continue.

In our view, there is scope for the JPY to strengthen against the USD in the months ahead. Cyclical drivers, in particular yield differentials, have started to become more dominant in the FX market. Coming on the heels of **a likely resumption of the Federal Reserve (Fed) easing at its 16-17 September meeting**, yield differentials between the US and Japan would probably narrow, which points to USD-JPY downside (Chart 2), especially if **the Bank of Japan (BoJ) turns more hawkish**. Our economists expect the BoJ to deliver its rate hike at its 29-30 October, while markets only priced in c50% for this to happen (*Bloomberg*, 21 August 2025). In addition, **less Japanese political uncertainty and less angst about the future fiscal path should help the JPY**.

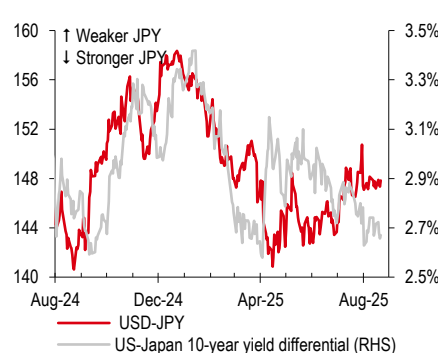
**The JPY is likely to strengthen against the USD in the months ahead**

### 1. G10 currencies vs USD: Quarter-to-date performance (as of 21 August)



Source: Bloomberg, HSBC

### 2. USD-JPY and its yield differential



Source: Bloomberg, HSBC

**As for the NZD, we turn cautious over the near term.** The Reserve Bank of New Zealand (RBNZ) cut its policy rate by 25bp to 3.00% at its 20 August meeting, with a 50bp cut discussed. The RBNZ's policy rate projection was also revised lower to trough at 2.55% in 1Q26 (previously 2.85%), weighing on the NZD. External factors, like lacklustre emerging Asian currency performance, have also turned less favourable, pausing the rise in NZD-USD.

**We turn cautious on the NZD over the coming weeks...**

However, our cautious near-term stance on NZD-USD does not change our optimistic medium-term stance, where we think monetary and fiscal easing globally should provide a cushion for downside growth risks. **The NZD is likely to be supported by a stronger terms of trade outlook, more direct exposure to potential fiscal measures from China, and more consistent bond inflows** – these considerations are sitting in the back seat at the moment.

**...but we still expect the NZD to strengthen against the USD over the medium term**

# Disclosure appendix

## Important disclosures

This document is for information purposes only and it should not be regarded as an offer to sell or as a solicitation of an offer to buy the securities or other investment products mentioned in it and/or to participate in any trading strategy. Information in this document is general and should not be construed as personal advice, given it has been prepared without taking account of the objectives, financial situation or needs of any particular investor. Accordingly, investors should, before acting on it, consider the appropriateness of the information, having regard to their objectives, financial situation and needs. If necessary, seek professional investment and tax advice.

Certain investment products mentioned in this document may not be eligible for sale in some states or countries, and they may not be suitable for all types of investors. Investors should consult with their HSBC representative regarding the suitability of the investment products mentioned in this document and take into account their specific investment objectives, financial situation or particular needs before making a commitment to purchase investment products.

The value of and the income produced by the investment products mentioned in this document may fluctuate, so that an investor may get back less than originally invested. Certain high-volatility investments can be subject to sudden and large falls in value that could equal or exceed the amount invested. Value and income from investment products may be adversely affected by exchange rates, interest rates, or other factors. Past performance of a particular investment product is not indicative of future results.

HSBC and its affiliates will from time to time sell to and buy from customers the securities/instruments (including derivatives) of companies covered in HSBC Research on a principal or agency basis.

Whether, or in what time frame, an update of this analysis will be published is not determined in advance.

## Additional disclosures

- 1 This report is dated as at 22 August 2025.
- 2 All market data included in this report are dated as at close 21 August 2025, unless a different date and/or a specific time of day is indicated in the report.
- 3 HSBC has procedures in place to identify and manage any potential conflicts of interest that arise in connection with its Research business. HSBC's analysts and its other staff who are involved in the preparation and dissemination of Research operate and have a management reporting line independent of HSBC's Investment Banking business. Information Barrier procedures are in place between the Investment Banking, Principal Trading, and Research businesses to ensure that any confidential and/or price sensitive information is handled in an appropriate manner.
- 4 You are not permitted to use, for reference, any data in this document for the purpose of (i) determining the interest payable, or other sums due, under loan agreements or under other financial contracts or instruments, (ii) determining the price at which a financial instrument may be bought or sold or traded or redeemed, or the value of a financial instrument, and/or (iii) measuring the performance of a financial instrument or of an investment fund.

# Disclaimer

This document is prepared by The Hongkong and Shanghai Banking Corporation Limited ("HBAP"), 1 Queen's Road Central, Hong Kong. HBAP is incorporated in Hong Kong and is part of the HSBC Group. This document is for general circulation and information purposes only. This document is not prepared with any particular customers or purposes in mind and does not take into account any investment objectives, financial situation or personal circumstances or needs of any particular customer. HBAP has prepared this document based on publicly available information at the time of preparation from sources it believes to be reliable but it has not independently verified such information. The contents of this document are subject to change without notice.

HBAP is not responsible for any loss, damage or other consequences of any kind that you may incur or suffer as a result of, arising from or relating to your use of or reliance on this document. HBAP gives no guarantee, representation or warranty as to the accuracy, timeliness or completeness of this document.

This document is not investment advice or recommendation nor is it intended to sell investments or services or solicit purchases or subscriptions for them. You SHOULD NOT use or rely on this document in making any investment decision or decision to buy or sell currency. You SHOULD consult your professional advisor in your jurisdiction if you have any questions regarding the contents of this document.

You SHOULD NOT reproduce or further distribute the contents of this document to any person or entity, whether in whole or in part, for any purpose. This document may not be distributed to the US, or any other jurisdiction where its distribution is unlawful.

Greece

In Greece, this document is distributed by HSBC Continental Europe, Greece to its customers for general reference only.

Jersey, Guernsey and Isle of Man

In Jersey, Guernsey and the Isle of Man, this document is distributed to its customers for general reference only by HSBC Bank plc Jersey branch, HSBC Bank plc Guernsey branch and HSBC Bank plc in the Isle of Man.

Mainland China

In mainland China, this document is distributed by HSBC Bank (China) Company Limited ("HBCN") to its customers for general reference only. This document is not, and is not intended to be, for the purpose of providing securities and futures investment advisory services or financial information services, or promoting or selling any wealth management product. This document provides all content and information solely on an "as-is/as-available" basis. You SHOULD consult your own professional adviser if you have any questions regarding this document.

Hong Kong

In Hong Kong, this document is distributed by HBAP to its customers for general reference only. HBAP is not responsible for any loss, damage or other consequences of any kind that you may incur or suffer as a result of, arising from or relating to your use or reliance of this document. HBAP gives no guarantee, representation or warranty as to the accuracy, timeliness or completeness of this document.

Malaysia

In Malaysia, this document has been prepared by HBAP is issued and distributed by HSBC Bank Malaysia Berhad (127776-V) / HSBC Amanah Malaysia Berhad (807705-X) (the "Bank"). The Bank is not responsible for any loss, damage or other consequences of any kind that you may incur or suffer as a result of, arising from or relating to your use of or reliance on this document.

Singapore

In Singapore, this document is distributed by HSBC Bank (Singapore) Limited ("HBSP") pursuant to Regulation 32C of the Financial Advisers Regulations, to its customers for general reference only. HBSP accepts legal responsibility for the contents of this document, and may be contacted in respect of any matters arising from, or in connection with, this document. Please refer to HBSP's website at [www.hsbc.com.sg](http://www.hsbc.com.sg) for its contact details.

Taiwan

In Taiwan, this document is distributed by HSBC Bank (Taiwan) Limited, [13F/14F No 333, section 1 Keelung Rd, Taipei] to its customers for general reference only. HSBC Bank (Taiwan) Limited is not responsible for any loss, damage or other consequences of any kind that you may incur or suffer as a result of, arising from or relating to your use or reliance of this document. Clients of HSBC Bank (Taiwan) Limited should contact their relationship manager in respect of any matters arising from or in connection with this document.

United Arab Emirates

In the UAE, this document is distributed by HSBC Bank Middle East Limited ("HBME") U.A.E Branch, P.O.Box 66, Dubai, U.A.E, which is regulated by the Central Bank of the U.A.E and lead regulated by the Dubai Financial Services Authority. In respect of certain financial services and activities offered by HBME, it is regulated by the Securities and Commodities Authority in the UAE under license number 602004. HBME is not responsible for any loss, damage or other consequences of any kind that you may incur or suffer as a result of, arising from or relating to your use of or reliance on this document.

India

In India, this document is distributed for general reference by The Hongkong and Shanghai Banking Corporation Limited, India (HSBC India), having its India corporate office at 52/60, Mahatma Gandhi Road, Fort, Mumbai 400 001. HSBC India is not responsible for any loss, damage or other consequences of any kind that you may incur or suffer as a result of, arising from or relating to your use of or reliance on this document. HSBC India gives no guarantee, representation or warranty as to the accuracy, timeliness or completeness of this document and clients should contact their relationship manager in respect of any clarifications arising from or in connection with this document.

HSBC India is a branch of The Hongkong and Shanghai Banking Corporation Limited. Incorporated in Hong Kong SAR with limited liability. HSBC India is an AMFI-registered Mutual Fund Distributor of select mutual funds and a referrer of other 3rd party investment products. HSBC India does not distribute or refer investment products to those persons who are either the citizens or residents of United States of America (USA), Canada or any other jurisdiction where such distribution or referral would be contrary to law or regulation.

HSBC India will receive commission from HSBC Asset Management (India) Private Limited, in its capacity as a AMFI registered mutual fund distributor of HSBC Mutual Fund. The Sponsor of HSBC Mutual Fund is HSBC Securities and Capital Markets (India) Private Limited (HSCI), a member of the HSBC Group. Please note that HSBC India and the Sponsor being part of the HSBC Group, may give rise to real, perceived, or potential conflicts of interest. HSBC India has a policy in place to identify, prevent and manage such conflict of interest

For more information related to investments in the securities market, please visit the SEBI Investor Website: <https://investor.sebi.gov.in/> and the SEBI Saaṛthi Mobile App. Mutual Fund investments are subject to market risks, read all scheme related documents carefully. Issued by The Hongkong and Shanghai Banking Corporation Limited, India. Incorporated in Hong Kong SAR with limited liability. HSBC Bank ARN - 0022 with validity from 19-Feb-2024 to 18-Feb-2027. Date of initial registration: 19-Feb-2002.

United Kingdom

In the United Kingdom, this document is distributed by HSBC UK Bank Plc ("HSBC"), 1 Centenary Square, Birmingham B1 1HQ United Kingdom which is owned by HSBC Holdings plc. HSBC is incorporated under the laws of England and Wales with company registration number 9928412 and is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Our firm reference number is 765112. HSBC gives no guarantee, representation or warranty as to the accuracy, timeliness or completeness of this video or the information contained within it.

Australia

This document is distributed by HSBC Bank Australia Limited ABN 48 006 434 162, AFSL/ACL 232595 (HBAU). HBAP has a Sydney Branch ARBN 117 925 970 AFSL 301737. The statements contained in this document are general in nature and do not constitute investment research or a recommendation, or a statement of opinion (financial product advice) to buy or sell investments. This document has not taken into account your personal objectives, financial situation and needs. Because of that, before acting on the document you should consider its appropriateness to you, with regard to your objectives, financial situation, and needs.

Miscellaneous

Notwithstanding this document is not investment advice, please be aware of the following for the sake of completeness. Past performance is not an indication of future performance. The value of any investment or income may go down as well as up and you may not get back the full amount invested. When an investment is denominated in a currency other than the local currency of an investor, changes in the exchange rates may have an adverse effect on the value, price or income of that investment. Where there is no recognised market for an investment, it may be difficult for an investor to sell the investment or to obtain reliable information about its value or the extent of the risk associated with it.

This document contains forward-looking statements which are, by their nature, subject to significant risks and uncertainties. Such statements are projections, do not represent any one investment and are used for illustration purpose only. Customers are reminded that there can be no assurance that economic conditions described herein will remain in the future. Actual results may differ materially from the forecasts/estimates. No assurance is given that those expectations reflected in those forward-looking statements will prove to have been correct or come to fruition, and you are cautioned not to place undue reliance on such statements. No obligation is undertaken to publicly update or revise any forward-looking statements contained in this document or any other related document whether as a result of new information, future events or otherwise.

The Hongkong and Shanghai Banking Corporation Limited, its affiliates and associates and their respective officers and/or employees, may have interests in any products referred to in this document by acting in various roles including as distributor, holder of principal positions, adviser or lender. The Hongkong and Shanghai Banking Corporation Limited, its affiliates and associates, and their respective officers and employees, may receive fees, brokerage or commissions for acting in those capacities. In addition, The Hongkong and Shanghai Banking Corporation Limited, its affiliates and associates, and their respective officers and/or employees, may buy or sell products as principal or agent and may effect transactions which are not consistent with the information set out in this document.

© Copyright 2025. The Hongkong and Shanghai Banking Corporation Limited, ALL RIGHTS RESERVED. No part of this document may be reproduced, stored in a retrieval system, or transmitted, on any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without the prior written permission of The Hongkong and Shanghai Banking Corporation Limited.