

New Zealand equity outlook 2026

Five reasons momentum may flow through the New Zealand equity market

By Michael Sherrock, Head of New Zealand Equities

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Five reasons why momentum may flow through the market in 2026

- Rate relief: OCR cuts are finally easing household budgets, potentially boosting retail activity as discretionary income returns.
- Cyclical sectors like real estate, tourism, and select corporates are rebounding, signalling broader equity market recovery.
- Exporters conditions favourable: Despite tariff risks, strong demand and a stable New Zealand dollar outlook may keep conditions supportive for exporters.
- Lower interest rates expected to drive a shift from term deposits to equities and risk-on strategies in KiwiSaver.
- A weaker kiwi dollar and attractive valuations seen fuelling foreign interest in New Zealand acquisitions.

Introduction

After a couple of years in the doldrums by global comparison, we had been anticipating sufficient levers to be pulled in 2025 to encourage a recovery. And while, as expected, caution trumped confidence through the first half of the year, 2025 has nonetheless closed with both the economy and equity markets in a substantially stronger position than where they began.

The Official Cash Rate (OCR) has been central to the economic narrative—although with the year drawing to a close with a third Governor in place, we hadn't necessarily expected the Reserve Bank soap opera that played out alongside it.

The man who started the year in the job, Adrian Orr, oversaw a strategy of gradual cuts rather than aggressive easing. Only recently, with Christian Hawkesby at the helm, keeping the seat warm for the incoming Anna Bremen, have we seen the OCR fall below 3% and thereby enter what is broadly considered stimulatory territory.

The last cut of the year in November 2025 has seen the OCR fall to 2.25%, the lowest it's been for three and a half years and possibly as low as it will now get this cycle.

After it had a tough start to 2025, New Zealand's equity market has also recovered strongly in the latter months. Not that you'd pick it from the Index figure, with concentrated losses among the larger constituents dragging this down to an overall return of just 4.1%.

Among the winners, well falling interest rates were always going to buoy the real estate sector, which is up 15% in 2025, while the retirement sector has rallied late, gaining 24% in the past three months alone. Elsewhere, Sky City Entertainment has risen 18% over the past two months, while Sky TV is up 50% year-to-date. Set against that miserable 4.1% Index figure, if nothing else, 2025 has made a compelling case for active management.

And what of 2026? Well, here are five themes I believe will shape our equity market.

1. Rate relief

It takes time for the impact of OCR cuts to filter through the New Zealand economy, largely due to the staggered refixing of mortgages. Relief is finally reaching households though, many of whom now find themselves with discretionary income for the first time in a long time—something we expect to be reflected in a meaningful lift in retail activity.

Freightways has already noted an improvement in parcel volumes, though it is too early to draw definitive conclusions from the November 2025 data. The true read-through will come during the February reporting season, once the Christmas period has been fully captured.

2. The year of the comeback

For many listed New Zealand companies, the recovery is already underway, and I expect this momentum to continue into 2026, particularly among the cyclicals:

- Real Estate should keep attracting investors reallocating capital away from term deposits as property values firm and yields remain appealing.
- Spark has proven more cyclical than anticipated and is rebounding after a period of under-performance.
- Sky City, now operating a completed Convention Centre and soon to benefit from the new City Rail Link, is well positioned to capture increased discretionary spending.
- Even Air New Zealand – despite the headwinds of engine issues and sharper competition from Qantas – stands to benefit from rising passenger numbers.

2026 may be a year too early to see a meaningful turnaround at Fletcher Building, but they can at least draw comfort from the prospect of a growing future pipeline of work.

3. Exporters conditions favourable—even with tariff risks

With the important caveat that geopolitics can change abruptly, literally at the speed of a Presidential tweet, New Zealand exporters currently enjoy relatively favourable conditions.

Americans love their beef. In fact, they love our beef, washed down with some of our fine wine. So, while beef tariffs have been taken off the table for now, American consumers will be prepared to pay for some additional seasoning should this change again in 2026.

Fisher & Paykel Healthcare, another major US-exposed exporter, remains well positioned through its Mexican manufacturing base, though the stability of the overarching tripartite trade agreement is far from guaranteed.

As for our dollar, well this has likely bottomed, but with the Reserve Bank expected to hold rates steady until late 2026, conditions should continue to favour exporters over importers for the year ahead.

4. Savers become investors

Just as a larger amount of discretionary spend should find its way into the pockets of retailers, with interest rates down, capital that had been held in long-term savings vehicles like term deposits will now be seeking a new home in the rebounding equity markets.

We also expect to see a mindset shift to more “risk on” within KiwiSaver and other investment platforms, as long-term investors recognise that embracing market volatility offers the best path to growing the retirement savings they will depend on. With alternative assets offering far lower return expectations, we anticipate a meaningful shift in behaviour - from saving to investing.

5. Conditions ripe for M&A

Late 2025 saw high-profile international acquisitions in New Zealand such as Restaurant Brands’ sale to Finaccess and Lactalis’ proposed purchase of Fonterra’s consumer brands*. With the New Zealand dollar having weakened 5.7% against the Australian dollar and 6.3% against the US dollar in just six months, foreign investors are finding NZ Inc increasingly attractive right now, with any future recovery in the currency only enhancing the long-term value proposition.

Which NZX-listed companies could be next? On the back of a stellar year, Sky TV may have a growing overseas audience.

For all the positivity we see ahead in 2026, we do also need to factor in our propensity to halt progress just as it gathers momentum, with an election towards the end of the year rounding off our current Coalition Government's three-year term.

The era of consensus politics appears to be behind us for now, with substantial policy divergence not only between the major parties but also among current coalition partners. Nowhere is this more apparent than in energy policy, so while the current government has given the green light for capital raising, major investment decisions are likely to be deferred until post-election clarity emerges—which may not be until 2027.

But as and when this handbrake is pulled, at least it will be to slow a faster moving economy than we will have seen for some time. And as we say goodbye to 2025, that's something worth celebrating.

*Deal pending at the time of writing.

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