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New Zealand Equity Monthly (June 2026)

Improving macroeconomic backdrop seen supporting New Zealand equities

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Lower interest rates and easing inflation seen underpinning financial conditions

The macroeconomic environment surrounding New Zealand's equity market is beginning to improve, albeit from a low base and following several years of significant market and global disruption. Inflation remains elevated but is easing, with the more favourable conditions particularly evident in petrol prices. More importantly from our perspective, movements in New Zealand swap rates indicate that interest rates have recently started to edge lower, making financial conditions somewhat more supportive for both the economy and companies. This trend is also becoming visible in the mortgage market, where some banks have recently reduced mortgage rates, providing a further positive signal for the broader economy.

Improved confidence expected to support cyclical earnings

We expect recent improvements in the geopolitical backdrop to help confidence recover, with economic activity benefitting in turn. We believe that the improved conditions will provide support for more cyclical areas of the market, where earnings have been under pressure for some time. In recent years, the S&P/NZX 50 Index, which comprises New Zealand's largest companies by market capitalisation, has experienced large swings in performance around two key events: the US's "Liberation Day" tariffs in 2025 and the Iran conflict this year. Both created significant uncertainty, which in turn represented a meaningful headwind for markets. As conditions become more settled, and provided no further major shocks occur, we believe the market should be better positioned to generate more favourable outcomes going forward. While it would be premature to claim that a full recovery is underway, several of the key factors that had been sources of concern, such as risks associated with the Strait of Hormuz, are showing improvement. This is important for how we think about portfolios and the likely trajectory of company earnings.

August reporting season may show evidence of early improvement

The August corporate earnings reporting season could provide useful evidence of whether these early improvements in the broader backdrop are beginning to be reflected in company outlook statements. We will monitor earnings reports closely for signs of a more constructive earnings environment.

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