

Interest Rates (%)			FX			Commodities US\$			
Australia	90-day Bill	3.70	Δ bp	AUD/USD	0.6502	0.6%	WTI Crude Oil	62.67	-\$0.60
				AUD/JPY	92.72	-0.3%	Brent Crude Oil	64.78	-\$0.74
				AUD/EUR	0.5689	0.2%	Mogas95*	74.98	-\$1.62
				AUD/GBP	0.4796	0.4%	CRB Index	296.55	-0.26
				AUD/NZD	1.0770	0.0%	Gold	3381.62	\$25.52
				AUD/CNY	4.6646	0.3%	Silver	34.54	-\$0.06
US	2-year	3.87	-8	EUR/USD	1.1428	0.4%	Iron Ore (62% Fe)**	95.10	-\$0.15
				USD/JPY	142.62	-0.9%	Iron Ore (24-25 Average)	101.23	-\$0.02
				USD/CNY	7.1780	-0.1%	Copper	9621.50	-\$12.50
				RBA Policy			Equities		
Other 10-year	Japan	1.49	-1	O/N Cash Rate Target		3.85	ASX200	8566	57
				Interbank O/N Cash Rate		3.84	Dow Jones	42428	-92
				Probability of a 25bps Cut in Jul		89.0%	S&P500	5971	0
				RBA Bond Holdings (30 May)		A\$276.4b	Stoxx600	551	3
	UK	4.61	-3				CSI300	3869	17

*Mogas95 is the Singapore benchmark petrol price closely linked to Australian domestic fuel prices.

**Iron ore is the second SGX futures contract.

US stocks were mixed after a choppy session, while US Treasury yields dropped across the yield curve as fed funds rate expectations re-intensified following a set of disappointing US economic reports. The S&P 500 closed flat, with gains and losses almost equally spread across industries, while the Dow Jones ebbed by 0.2% and the tech-heavy Nasdaq managed to close 0.3% higher. A 25bps fed funds rate cut is now virtually fully priced in for September.

The events overnight and the downside surprise to the Aussie GDP figures saw cash rate cut expectations pick up a little further, with the probability of a 25bps cash rate cut in July approaching 90%. However, Commonwealth bond yields declined less than their US equivalents, while the Australian dollar appreciated against all the major currencies except for the Japanese yen. The ASX 200 rose by 0.9% yesterday, before opening 0.3% higher this morning.

The ISM services PMI dropped 1.7pts to 49.9 in May (below 50 = contraction), indicating the first decline in US services activity since mid-2024. The details of the report pointed to lower new orders, including export orders, depletion of inventories, and a faster rise in prices. The tariffs were cited as a factor affecting activity across several industries. A separate ADP report pointed to just a 37k rise in private employment in May, the weakest result since March 2023.

Fed's Beige Book pointed to a decline in economic activity across the Fed districts, with employment stagnating and prices rising at a moderate pace, but price and cost increases are expected to accelerate, in some cases substantially.

Going north, the Bank of Canada left its policy rate unchanged at 2.75%, as expected. Similar to the US, the next 25bps rate cut in Canada is now almost entirely priced in for September.

In commodity markets, oil prices saw a slight decline amid speculation that Saudi Arabia is considering another supply hike at the next OPEC+ meeting. The decline came despite wildfires in the Canadian province of Alberta and further signs that a US-Iran nuclear deal might not be reached. Iron ore futures resumed their declines, while the gold price rose further.

From the local data, real GDP rose by 0.2% in Q1, which was less than the 0.4% expected by the markets and 0.6% registered for Q4 2024. The disappointing result came from weaker investment in machinery and equipment, and negative contribution of net exports. There was also a slowdown in private consumption, which was additionally dented by extreme weather events in Queensland. Western Australian state final demand rose by 0.2% in Q1, to be 3.6% up through the year, the most of all states.

Economic Data Review

- AU:** GDP (QoQ, Q1) – Actual 0.2%, Expected 0.4%, Previous 0.6%.
- US:** ADP Employment (monthly change, May) – Actual 37k, Expected 114k, Previous 60k (revised).
- US:** ISM Services PMI (May) – Actual 49.9, Expected 52.0, Previous 51.6.

Economic Data Preview

- AU:** Goods Trade Balance (Apr) – Expected A\$6.0b, Previous A\$6.9b.
- AU:** Household Spending Indicator (MoM, Apr) – Expected 0.2%, Previous -0.3%.
- CH:** Caixin Services PMI (May) – Expected 51.0, Previous 50.7.
- EZ:** ECB Decision (Deposit Rate) – Expected 2.00%, Previous 2.25%.
- US:** Initial Jobless Claims (w/e 31 May) – Expected 235k, Previous 240k.