

Interest Rates (%)			FX			Commodities US\$				
Australia	Δ bp		AUD/USD	0.6513	0.2%	WTI Crude Oil	63.21	\$0.54		
		90-day Bill	3.71	0	AUD/JPY	93.54	0.9%	Brent Crude Oil	65.22	\$0.44
		3-year Bond	3.36	7	AUD/EUR	0.5686	-0.1%	Mogas95*	75.95	\$0.97
		10-year Bond	4.27	6	AUD/GBP	0.4795	0.0%	CRB Index	298.62	2.07
				AUD/NZD	1.0770	0.0%	Gold	3363.10	-\$18.52	
				AUD/CNY	4.6731	0.2%	Silver	35.73	\$1.19	
US			EUR/USD	1.1453	0.2%	Iron Ore (62% Fe)**	95.65	\$0.55		
		2-year	3.91	4	USD/JPY	143.63	0.7%	Iron Ore (24-25 Average)	101.20	-\$0.03
		10-year	4.39	3	USD/CNY	7.1777	0.0%	Copper	9739.50	\$118.00
				RBA Policy			Equities			
Other 10-year			O/N Cash Rate Target		3.85	ASX200	8543	-23		
			Interbank O/N Cash Rate		3.84	Dow Jones	42320	-108		
			Probability of a 25bps Cut in Jul		86.3%	S&P500	5939	-32		
			RBA Bond Holdings (30 May)		A\$276.4b	Stoxx600	552	1		
						CSI300	3878	9		

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

**Iron ore is the second SGX futures contract.

US equities closed in the red last night, despite an encouraging start sparked by a phone conversation between US President Donald Trump and his Chinese counterpart Xi Jinping. The losses were led by consumer discretionary, more specifically Tesla shares, as President Trump suggested ending Elon Musk's government contracts and subsidies.

The losses on Wall Street followed gains in most European and Asian bourses. The ASX 200 closed virtually flat yesterday, as the initial gains were wiped out, before opening slightly higher this morning. The Australian dollar appreciated against the weaker greenback and Japanese yen, but is slightly down versus the euro.

As expected, the European Central Bank cut its policy rates by 25bps yesterday, taking the deposit rate to 2.00%. During the press conference, ECB President Christine Lagarde said that, following this move, the ECB is 'in a good position'. While President Lagarde did not rule out further cuts, with decisions remaining data-dependent, the declaration was perceived as a sign that the monetary policy easing cycle is coming to an end. This led to a scaling back of rate cut expectations, appreciation of the euro, and a rise in government bond yields in many countries, including in Australia.

Data-wise, US initial jobless claims rose to 247k last week, the highest level since October 2024. Continued claims were little changed at just above 1.9m in the week ending 24 May.

The Caixin Chinese services PMI rose by 0.4pts to 51.1 in May (above 50 = expansion), but the composite PMI fell into contraction (-1.5pts to 49.6) for the first time since December 2022, dragged down by manufacturing.

In Australia, [goods trade surplus](#) narrowed to A\$5.4b in April, as exports fell by 2.4% and imports rose by 1.1%. The decline in exports was driven by declines in most categories, including exports of metal ores and minerals (mainly iron ore), which however, remained high by historical standards. The rise in imports was broad-based, with a decline only for intermediate and other merchandise goods, which was entirely due to lower imports of fuels and lubricants. Due to limited exposure to the US, the trade tensions were largely invisible in the data.

From other domestic data, the household spending indicator, which is an experimental release set to replace retail trade from July, ticked up by 0.1% in April, to be up by 3.7% YoY. This was a mixed result for the market participants, who expected a gain of 0.2% MoM and 3.6% YoY.

The 0.1% rise in the household spending indicator was driven by a 1.5% gain in spending on services, as the superlong Easter-Anzac Day weekend boosted demand for dining out, recreational and cultural activities, while spending on goods dropped by 1.1%. The rise in household spending was concentrated in just two states, Western Australia (+0.5%) and cyclone-hit Queensland (+2.0%).

Economic Data Review

- **AU:** Goods Trade Balance (Apr) – Actual A\$5.4b, Expected A\$6.0b, Previous A\$6.9b (revised).
- **AU:** Household Spending Indicator (MoM, Apr) – Actual 0.1%, Expected 0.2%, Previous -0.1% (revised).
- **CH:** Caixin Services PMI (May) – Actual 51.1, Expected 51.0, Previous 50.7.
- **US:** Initial Jobless Claims (w/e 31 May) – Actual 247k, Expected 235k, Previous 240k.

Economic Data Preview

- **US:** Non-farm Payrolls (monthly change, May) – Expected 126k, Previous 177k.
- **US:** Unemployment Rate (May) – Expected 4.2%, Previous 4.2%.