

Interest Rates (%)			FX			Commodities US\$		
Australia		Δ bp	AUD/USD	0.6523	0.0%	WTI Crude Oil	64.65	-\$0.72
	90-day Bill	3.73	AUD/JPY	94.42	0.3%	Brent Crude Oil	66.51	-\$0.61
	3-year Bond	3.39	AUD/EUR	0.5705	0.0%	Mogas95*	77.29	\$0.08
	10-year Bond	4.27	AUD/GBP	0.4831	0.5%	CRB Index	299.34	-2.17
US			AUD/NZD	1.0771	0.1%	Gold	3331.99	\$11.88
	2-year	4.01	AUD/CNY	4.6861	0.0%	Silver	36.59	-\$0.13
	10-year	4.46	EUR/USD	1.1432	0.0%	Iron Ore (62% Fe)**	94.75	\$0.60
			USD/JPY	144.76	0.2%	Iron Ore (24-25 Average)	101.12	-\$0.03
Other 10-year			USD/CNY	7.1878	0.1%	Copper	9756.50	-\$36.50
			RBA Policy			Equities		
			O/N Cash Rate Target	3.85		ASX200	8627	77
			Interbank O/N Cash Rate	3.84		Dow Jones	42867	105
			Probability of a 25bps Cut in Jul	83.6%		S&P500	6039	33
			RBA Bond Holdings (30 May)	A\$276.4b		Stoxx600	553	0
						CSI300	3865	-20

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

**Iron ore is the second SGX futures contract.

US stocks continued to climb yesterday, supported by signs of progress in US-China trade talks in London. US Commerce Secretary Howard Lutnick said that the negotiations are going 'really, really well' and a framework for implementation has been reached. US Treasury yields and the US dollar were little changed overnight. Investor attention is now turning to the US CPI scheduled for a release tonight.

Optimism about US-China trade talks continued to support the Aussie stocks. The ASX 200 bounced by 0.8% yesterday to close at a new record high, before opening even higher this morning. Commonwealth bond yields picked up at the front end of the yield curve, but there were declines for longer maturities. The Australian dollar is unchanged versus the greenback and euro, but appreciated against the Japanese yen and British pound.

Data-wise, the NFIB small business optimism index rose 3pts to 98.8 in May, which is slightly above the series average of 98.0, but 6.0% off the six-year high reached in December 2024. The details of the report suggested that taxes, including tariffs, are now the single most important problem for small businesses in the US. At the same time, uncertainty remains elevated, though it is off its record highs from the turn of 2024 and 2025.

Across the Atlantic, the UK unemployment rate rose 0.1ppts to 4.6% in April, while employment growth slowed to 89k over the three months to April. Average weekly earnings growth decelerated to 5.3% YoY, the slowest pace since October 2024. The weaker jobs figures saw the British pound depreciate and gilt yields drop overnight.

NAB business conditions ebbed by 2 points to 0 in May, marking the lowest level since August 2020 after a steady decline since late 2022. Last month's fall was mainly driven by a deterioration in employment conditions (-4 points to 0 points, unseen since January 2022). Trading conditions also weakened (-1 points to 5 points, the lowest since August 2022). Profitability remained negative at -4 (unchanged from the previous month).

The NAB business report also indicated that business confidence improved by 3 points to 2 points, although this remains below the long-run average of 5 points. Labour cost growth re-accelerated to a quarterly rate of 1.7%, but the rise in both purchase costs and prices was the smallest since February 2021, of 1.1% and 0.5%, respectively.

The Westpac consumer sentiment index ticked up by another 0.5% in June but remained depressed at 92.6 (the series average is 100.4). The improvement was driven by an improved assessment of current financial conditions and increased willingness to buy major household items, most likely due to the recent cash rate cuts and intensification of rate cut expectations. However, the forward-looking indicators deteriorated, and a separate indicator suggested that the unemployment expectations rose, though are still around the series average.

Economic Data Review

- **AU:** Westpac-Melbourne Institute Consumer Sentiment (MoM, Jun) – Actual 0.5%, Previous 2.2%.
- **AU:** NAB Business Conditions (May) – Actual 0, Previous 2.
- **AU:** NAB Business Confidence (May) – Actual 2, Previous -1.
- **UK:** Unemployment Rate (Apr) – Actual 4.6%, Expected 4.6%, Previous 4.5%.
- **US:** NFIB Small Business Optimism (May) – Actual 98.8, Expected 96.0, Previous 95.8.

Economic Data Preview

- **US:** CPI (MoM, May) – Expected 0.2%, Previous 0.2%.