

Interest Rates			FX			Commodities		
Australia		Δ bp	AUD/USD	0.7043	-1.1%	WTI Crude Oil	92.74	-\$0.27
90-day Bill***	4.49	0	AUD/JPY	112.93	-0.9%	Brent Crude Oil	95.48	\$0.19
3-year Bond***	4.56	0	AUD/EUR	0.6112	-0.4%	Mogas95*	111.05	\$0.87
10-year Bond***	4.91	0	AUD/GBP	0.5282	-0.5%	CRB Index	376.39	-7.65
			AUD/NZD	1.2153	0.1%	Gold	4344.61	-\$111.72
			AUD/CNY	4.7810	-1.1%	Silver	68.22	-\$5.30
US			EUR/USD	1.1522	-0.8%	Iron Ore (61% Fe)**	101.65	\$0.40
2-year	4.15	10	USD/JPY	160.34	0.2%	Iron Ore (25-26 Average)	103.92	-\$0.01
10-year	4.53	6	USD/CNY	6.7883	0.2%	Copper	13519.50	-\$412.50
			RBA Policy			Equities		
			O/N Cash Rate Target	4.35		ASX200	8625	-21
			Interbank O/N Cash Rate	4.35		Dow Jones	50867	-695
Other 10-year			Probability of a 25bps Hike in Jun	0.0%		S&P500	7384	-201
Japan	2.67	0	RBA Bond Holdings (29 May)	A\$229.8b		Stox600	623	-2
Germany	3.04	1				CSI300	4817	-88
UK	4.90	1						

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

**Iron ore is the second SGX futures contract.

***No change due to public holidays.

The surprisingly strong US jobs report triggered a rise in fed funds rate hike expectations and sell-off on Wall Street on Friday, with the benchmark S&P 500 seeing the strongest daily decline in more than six months.

US non-farm payrolls surged by 172k in May, nearly twice as much as pencilled in by the consensus, while the April gain was revised sharply upward (to 179k from the initially estimated 115k). What is more, the gains in both April and May were much more broad-based than in earlier months, with much less reliance on education and health services.

The details of the US labour market situation report for May were a bit more nuanced. The unemployment rate remained at a moderate 4.3% in May, as expected, with the participation rate steady at a four-year low of 61.8%, while the underemployment rate ebbed by 0.1 percentage points to 8.1%. Annual wage growth slowed back to 3.4%.

Cleveland Fed President Beth Hammack, a voting member of the FOMC this year, said in a social media post that the May jobs report confirms that the US labour market remains in balance. She added that, while it is reasonable to keep the fed funds rate steady at this point, there might be a case for monetary policy tightening if the 'recent trends continue'.

As a result of the solid May jobs report and the above hawkish comments led, a 25bps fed funds rate hike is again fully priced in for this year and the probability of a hike within the next three months climbed to 40%. US government bond yields increased, especially at the front end of the yield curve, with 2-year yields reaching an over one-year high. The US dollar appreciated, becoming its strongest since early April.

Despite the uncertainty about the conflict in the Middle East, and increased exchanges of fire over the weekend, oil prices are mixed, with Brent futures only marginally up compared to Friday. Similarly, the gold price dropped by around 3% over the weekend, to its lowest level since early January. Iron ore futures picked up by 0.5%, following a decline last week caused by increased shipments from the Simandou mine in Guinea.

A deterioration in the global market sentiment dragged the Australian dollar lower over the weekend, with the AUD/USD dropping below US\$0.71 for the first time since mid-April. The ASX 200 lost 0.7% on Friday. Commonwealth bond yields are little changed since Friday morning. The Aussie markets are closed today due to holidays over east.

The main events [this week](#) will be the NAB business report for May and Westpac consumer confidence for June tomorrow, followed by the Melbourne Institute inflation expectations for June on Thursday. The highlights offshore will be US inflation figures and the Chinese trade report; both releases are for May. The ECB is expected to announce its monetary policy decision on Thursday, with a 25bps hike widely expected by markets.

Economic Data Review

- **US:** Non-farm Payrolls (monthly change, May) – Actual 172k, Expected 93k, Previous 179k (revised).
- **US:** Unemployment Rate (May) – Actual 4.3%, Expected 4.3%, Previous 4.3%.

Economic Data Preview

- **US:** New York Fed One-year Inflation Expectations (May) – Expected 3.7%, Previous 3.6%