

| Interest Rates | | | FX | | | Commodities | | |
|----------------------|------|-------------|------------------------------------|-----------|-------|--------------------------|----------|----------|
| Australia | | Δ bp | AUD/USD | 0.7169 | 0.1% | WTI Crude Oil | 91.22 | -\$0.76 |
| 90-day Bill | 4.45 | 0 | AUD/JPY | 113.95 | 0.2% | Brent Crude Oil | 97.61 | -\$0.92 |
| 3-year Bond | 4.54 | 3 | AUD/EUR | 0.6161 | 0.2% | Mogas95* | 120.37 | -\$5.29 |
| 10-year Bond | 4.89 | 2 | AUD/GBP | 0.5313 | 0.0% | CRB Index*** | 392.67 | 0.00 |
| | | | AUD/NZD | 1.2238 | 0.4% | Gold | 4548.42 | -\$24.40 |
| | | | AUD/CNY | 4.8673 | 0.3% | Silver | 77.53 | -\$0.93 |
| US | | | EUR/USD | 1.1636 | -0.1% | Iron Ore (61% Fe)** | 106.45 | -\$1.75 |
| 2-year | 4.06 | -6 | USD/JPY | 158.96 | 0.0% | Iron Ore (25-26 Average) | 103.92 | \$0.00 |
| 10-year | 4.50 | -6 | USD/CNY | 6.7832 | -0.2% | Copper*** | 13667.50 | \$0.00 |
| | | | RBA Policy | | | Equities | | |
| Other 10-year | | | O/N Cash Rate Target | 4.35 | | ASX200 | 8649 | -13 |
| Japan | 2.71 | -3 | Interbank O/N Cash Rate | 4.35 | | Dow Jones*** | 50580 | 0 |
| Germany | 2.95 | -9 | Probability of a 25bps Hike in Jun | 4.3% | | S&P500*** | 7473 | 0 |
| UK | 4.90 | 0 | RBA Bond Holdings (30 Apr) | A\$230.3b | | Stoxx600 | 632 | 7 |
| | | | | | | CSI300 | 4922 | 77 |

*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 a public holiday.

The gains in the global markets continued last night, while oil prices and government bond yields fell further, as investors preferred to see the glass half full about the prospect of a US-Iran peace deal. It was quite a thin trade, however, with US and UK investors away for their respective public holidays.

The European benchmark, the Stoxx 600 climbed by 1.0% yesterday, which followed solid increases in the Asia-Pacific region. The ASX 200 closed 0.4% higher, before opening lower this morning.

The Australian dollar received some tailwinds from the good global market sentiment, but the AUD/USD remains 1.2% off its multiyear high from mid-May. In contrast to their global equivalents, Commonwealth bond yields have picked up slightly since yesterday morning.

The messaging on the progress in the US-Iran talks remains mixed. On the one hand, the US side generally expresses optimism. US Treasury Secretary Marco Rubio has hinted that an agreement to re-open the Strait of Hormuz could be reached as soon as this morning, though with no details about the road map. However, the Iranian side stresses that there are still many 'problems and obstacles', including the 'frequent changes' of mind of US President Donald Trump.

Apart from re-opening the Strait of Hormuz, the US side is demanding that Iran hands over its enriched uranium, which Iran reportedly agreed to over the weekend. More recently, the US also demanded that Saudi Arabia and Qatar establish formal diplomatic relations with Israel. The Iranian side demands, among other things, the end of the Israeli strikes on Lebanon, which does not appear to be likely at this point.

In the latest development, US central command said that it hit a target in southern Iran in 'self-defence', and that it also targeted vessels that were allegedly laying mines in the vicinity of the Strait of Hormuz.

According to Bloomberg data, while there was a clear pick-up in the number of vessels crossing the Strait of Hormuz, there were none passing over the past two days.

Despite the above, Brent futures fell by another 2.4% overnight, to their lowest level since mid-April. Iron ore futures declined by 1.7% but remained above US\$100 a tonne.

There were no significant global data releases overnight.

At home, ANZ Roy Morgan consumer sentiment declined by 0.5% last week, to a depressed level of 66.1 (the record low of 58.8 was reached in late March). Consumer inflation expectations ticked up to 6.1% (the high for the series, starting in 2010, of 7.3%, was also in late March).

Economic Data Review

- **AU:** ANZ Roy Morgan Consumer Sentiment (w/e 23 May) – Actual 66.1, Previous 66.4.

Economic Data Preview

- **US:** Case-Shiller House Price Index 20 Cities (MoM, Mar) – Expected -0.1%, Previous -0.1%.
- **US:** Conference Board Consumer Confidence (May) – Expected 92.0, Expected 92.8.