

Interest Rates (%)			FX			Commodities US\$			
Australia		Δ bp	AUD/USD	0.6520	0.3%	WTI Crude Oil	65.37	\$0.83	
	90-day Bill	3.72	1	AUD/JPY	94.18	0.1%	Brent Crude Oil	67.12	\$0.69
	3-year Bond	3.38	2	AUD/EUR	0.5704	0.1%	Mogas95*	77.20	\$0.73
	10-year Bond	4.30	3	AUD/GBP	0.4808	0.1%	CRB Index	301.51	0.62
			AUD/NZD	1.0765	-0.3%	Gold	3320.11	\$9.11	
			AUD/CNY	4.6846	0.2%	Silver	36.72	\$0.71	
US			EUR/USD	1.1432	0.3%	Iron Ore (62% Fe)**	94.15	-\$1.10	
	2-year	4.01	-1	USD/JPY	144.43	-0.2%	Iron Ore (24-25 Average)	101.15	-\$0.03
	10-year	4.48	-2	USD/CNY	7.1794	-0.2%	Copper	9793.00	\$100.00
			RBA Policy			Equities			
Other 10-year			O/N Cash Rate Target		3.85	ASX200	8550	34	
			Interbank O/N Cash Rate		3.84	Dow Jones	42762	-1	
	Japan	1.47	-1	Probability of a 25bps Cut in Jul		83.6%	S&P500	6006	6
	Germany	2.57	-1	RBA Bond Holdings (30 May)		A\$276.4b	Stoxx600	553	0
	UK	4.63	-1				CSI300	3885	11

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

**Iron ore is the second SGX futures contract.

The S&P 500 and Nasdaq closed marginally higher last night after a choppy session, with market sentiment receiving some support from hopes about the US-China trade talks. Gains and losses were almost equally split among the sectors, with gains led by consumer discretionary, more specifically Tesla, while utilities and financials saw the largest losses. US Treasury yields retreated after a surge on Friday, while the US dollar depreciated.

The Australian dollar benefitted from US-China trade talk hopes, appreciating against all the major currencies. The AUD/USD closed at yet another 2025 high. The Aussie equity and bond markets were closed for an eastern state's public holiday yesterday. However, Commonwealth bond yields have opened higher this morning, while the Aussie share market has gained 0.4% so far this morning.

Trade talks between the US and China started in London yesterday and reportedly took around seven hours. While the outcome is unknown at this stage, both US Commerce Secretary Howard Lutnick and Treasury Secretary Scott Bessent expressed some degree of optimism. US President Donald Trump told the reporters that he was getting 'only good reports'. The talks are centred around the Chinese export restrictions on critical minerals and US suspension of export licences for some critical technologies, including jet engines.

Meanwhile, the Chinese trade surplus was wider than expected at US\$10.2b in May (mkt. exp.: US\$101.1b), as exports rose by 0.2% MoM in US dollar terms (4.8% YoY), while imports fell 2.9% MoM (-3.4% YoY). Exports to the US fell sharply, to be down 9.7% YoY, but this was more than offset by a surge in exports to ASEAN countries (+12.2% YoY). Iron ore imports remained solid at 98.1 million tonnes, although this was down from the fourth month high of 103.1 million tonnes in April.

At the same time, China remains in deflation, with the CPI down 0.1% from a year earlier in May, led by a 0.5% fall in goods prices. Much of the fall was driven by food prices, but core CPI inflation (excluding foods and energy) was also soft at 0.6% YoY. Producer price deflation deepened to 3.3% YoY, from 2.7% YoY in the previous month. With tariffs putting a brake on China's trade with the US, and Chinese consumers remaining very cautious, weak price growth in China is likely to add to downward pressure on inflation in many countries, as Chinese producers look for alternative outlets for their products.

In commodity markets, hopes for easing trade tensions lifted oil prices a little, but the gold price saw a slight uptick nonetheless and remains just around 3% off its record highs. The data on lower iron ore imports saw prices for this commodity decline further.

Economic Data Review

- **CH:** Trade Balance (May) – Actual US\$103.2b, Expected US\$101.1b, Previous US\$96.2b.
- **CH:** CPI (YoY, May) – Actual -0.1%, Expected -0.2%, Previous -0.1%.
- **CH:** PPI (YoY, May) – Actual -3.3%, Expected -3.2%, Previous -2.7%.

Economic Data Preview

- **AU:** Westpac-Melbourne Institute Consumer Sentiment Index (MoM, Jun) – Previous 2.2%.
- **AU:** NAB Business Conditions Index (May) – Previous 2.
- **AU:** NAB Business Confidence Index (May) – Previous -1.