

Interest Rates			FX			Commodities		
Australia		Δ bp	AUD/USD	0.6999	-0.4%	WTI Crude Oil	92.32	\$2.72
90-day Bill	4.47	1	AUD/JPY	112.36	-0.3%	Brent Crude Oil	95.15	\$2.28
3-year Bond	4.51	1	AUD/EUR	0.6065	-0.4%	Mogas95*	115.15	\$3.13
10-year Bond	4.92	2	AUD/GBP	0.5236	-0.3%	CRB Index	373.42	1.10
			AUD/NZD	1.2072	-0.1%	Gold	4063.11	-\$148.86
			AUD/CNY	4.7496	-0.3%	Silver	63.06	-\$1.58
US			EUR/USD	1.1541	0.0%	Iron Ore (61% Fe)**	101.75	\$1.05
2-year	4.15	1	USD/JPY	160.54	0.1%	Iron Ore (25-26 Average)	103.89	\$0.00
10-year	4.56	3	USD/CNY	6.7754	0.0%	Copper	13515.50	-\$99.50
			RBA Policy			Equities		
Other 10-year			O/N Cash Rate Target	4.35		ASX200	8577	-49
Japan	2.71	1	Interbank O/N Cash Rate	4.35		Dow Jones	49919	-953
Germany	3.08	3	Probability of a 25bps Hike in Jun	0.0%		S&P500	7267	-120
UK	4.93	3	RBA Bond Holdings (29 May)	A\$229.8b		Stoxx600	618	0
						CSI300	4749	-53

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

**Iron ore is the second SGX futures contract.

The declines on Wall Street deepened last night, while oil prices picked up as the conflict in the Middle East re-escalated further. Following an exchange of fire earlier this week, the US has launched further strikes against targets in Iran, while Iranian authorities warned that the Strait of Hormuz will again be closed to all vessels.

The S&P 500 fell by 1.6%, while the tech-heavy Nasdaq dropped by 2.0%, as investors are again concerned about stretched valuations of artificial intelligence companies, while also awaiting the initial public offering on Friday of SpaceX. The market did not overly react to the slight downside surprise to the US core CPI figures, with US Treasury yields rising slightly in a knee-jerk reaction to higher oil prices.

The weaker global market sentiment dragged the Australian dollar even lower, with the AUD/USD reaching yet another two-month low. Commonwealth bond yields increased roughly in line with their US equivalents. The ASX 200 opened sharply lower this morning, having closed 0.6% higher yesterday despite the weak start.

The US CPI rose by 0.5% in May, in line with expectations, with energy contributing half of the increase. The annual rate of inflation picked up by 0.4ppts to 4.2%, which is the highest level since April 2023.

However, the core CPI excluding food and energy undershot the market consensus, increasing by 0.2% in May, while ticking up by only 0.1% when accommodation costs are also excluded. The annual rate of core inflation excluding food and energy saw a 0.1ppts uptick to 2.9%. While this is the highest level in eight months, it is below the levels recorded three months into the Russian-Ukrainian war in 2022 and after the introduction of 'reciprocal' tariffs last year.

The Bank of Canada kept its policy rate unchanged at 2.25% yesterday, as expected, again stressing that it is looking through the impacts of the Middle East war on headline inflation, while controlling for second-round effects. The ECB is to announce its monetary policy decision tonight, with a 25bps hike widely expected by the markets.

In China, the annual rate of consumer price inflation was steady at a low 1.2% in May, with core inflation down by 0.1ppts to 1.1%. Both figures were slightly below the market consensus of 1.3% and 1.2%, respectively. However, Chinese producer price inflation surged by 1.1ppts to 3.9%, which is the highest level since mid-2022.

Economic Data Review

- **CH:** CPI (YoY, May) – Actual 1.2%, Expected 1.3%, Previous 1.2%.
- **CH:** PPI (YoY, May) – Actual 3.9%, Expected 3.9%, Previous 2.8%.
- **US:** CPI (MoM, May) – Actual 0.5%, Expected 0.5%, Previous 0.6%.

Economic Data Preview

- **AU:** Melbourne Institute Inflation Expectations (May) – Previous 5.6%.
- **EZ:** ECB Decision (Deposit Rate) – Expected 2.25%, Previous 2.00%.
- **US:** PPI (MoM, May) – Expected 0.7%, Previous 1.4%.
- **US:** Initial Jobless Claims (w/e 6 Jun) – Actual 220k, Expected 225k.