

Highlights this week

- In Australia, the monthly CPI indicator suggested that headline and trimmed mean inflation declined further in May and remained within the 2-3% target range. The S&P Global flash PMIs pointed to faster, albeit still quite moderate expansion of the Australian private sector in June.
- Abroad, S&P Global flash PMIs also pointed to ongoing expansion in the major advanced economies in June. The Conference Board US consumer confidence index unexpectedly deteriorated in June. US durable goods orders bounced back in May, while the goods trade deficit re-widened. The final estimate pointed to a somewhat larger, albeit still insignificant, decline in US GDP in Q1.

Highlights next week

- It will be a busy week domestically, with the private sector credit report due on Monday, Cotality (formerly CoreLogic) home value index on Tuesday, retail trade and dwelling approvals on Wednesday, goods trade balance on Thursday and household spending indicator on Friday. All the above releases are for May except for the Cotality home value report, which is for June.
- Highlights offshore include US labour market figures for June, as well as US and Chinese PMIs for June.

Central Bank Rates (%)	Weekly Change	Australian Interest Rates (%)	Weekly Change	Major Overseas Interest Rates (%)	Weekly Change	Global Equities	Weekly Change
Australia	3.85 (0 pt)	O/N Interbank Cash	3.84 (0 pt)	USD 3-month	4.85 (0 pt)	ASX200	8556 (↑86 pt)
US (IOR)	4.40 (0 pt)	90-day Bills	3.61 (↓8 pt)	2-yr T-Notes	3.74 (↓19 pt)	S&P500	6141 (↑160 pt)
Eurozone (Deposit)	2.00 (0 pt)	3-yr T-Bond	3.24 (↓10 pt)	10-yr T-Notes	4.26 (↓14 pt)	DJIA	43387 (↑1215 pt)
UK	4.25 (0 pt)	10-yr T-Bond	4.14 (↓7 pt)	Jap 10-yr	1.43 (↑1 pt)	Nikkei	40215 (↑1767 pt)
Japan (Target)	0.50 (0 pt)	3-yr WATC Bond	3.43 (↓9 pt)	UK 10-yr	4.47 (↓6 pt)	CSI300	3954 (↑106 pt)
China (1Y LPR)	3.00 (0 pt)	10-yr WATC Bond	4.72 (↓6 pt)	Ger 10-yr	2.57 (↑5 pt)	Stoxx600	537 (↑2 pt)

Changes are since the previous issue of Market Watch Weekly.

Financial Markets**Interest Rates**

Government bond yields are down this week in both the US and Australia, but there were slight increases in Japan and most euro area member states.

The decline in US bond yields resulted from intensified fed funds rate cut expectations and easing concerns over higher energy price inflation after the Iranian-Israeli ceasefire.

Hopes for earlier fed funds rate cuts resulted from some downside surprises to US data this week and press reports that US President Donald Trump is considering an early naming of Fed Chair Jerome Powell's successor, who would most likely be more supportive of faster rate cuts. However, most Fedspeakers this week, including Chair Powell, were against rushing rate cuts.

Rate cut expectations also increased a little at home following a downside surprise to the May CPI indicator on Wednesday. Currently, a rate cut is almost fully priced in for July, with a total of 83bps of cuts now priced in for the second half of 2025.

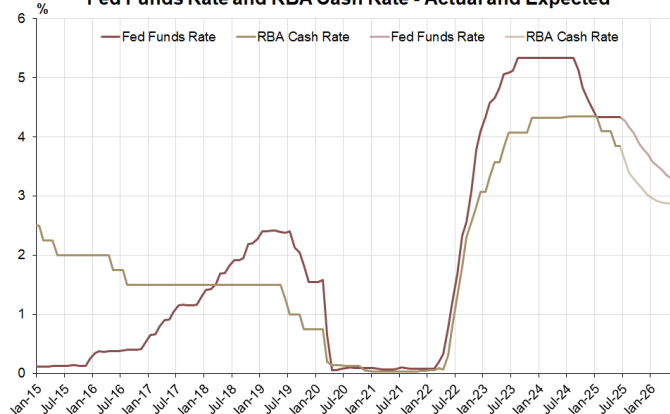
Equities

It was undoubtedly a positive week in global equity markets.

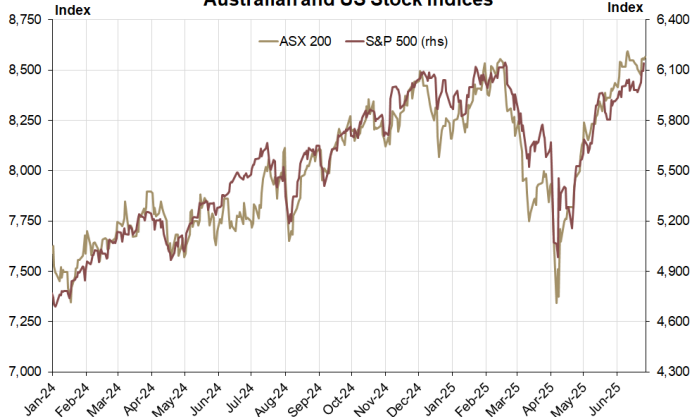
The prospects of the equity market did not look positive at all last weekend, when the US unexpectedly attacked Iran's nuclear facilities. However, equity markets received a boost on Monday night after US President Trump announced a ceasefire between Iran and Israel following Iran's pre-warned token retaliation on a US military base in Qatar.

The US stock market rally took a brief pause on Wednesday, before resuming on Thursday, taking the tech-heavy Nasdaq to a new record high, while the broader S&P 500 closed just short.

The ASX 200 underperformed this week, rising by 1.2% compared to a 2.7% gain in the S&P 500. The Australian share market performance was hampered by a strong decline in energy stocks this week, which reflected a drop in oil and gas prices after the ceasefire news. There were also quite solid declines in industrials, utilities, consumer stocks and real estate.

Fed Funds Rate and RBA Cash Rate - Actual and Expected

Source: Bloomberg

Australian and US Stock Indices

Source: Bloomberg

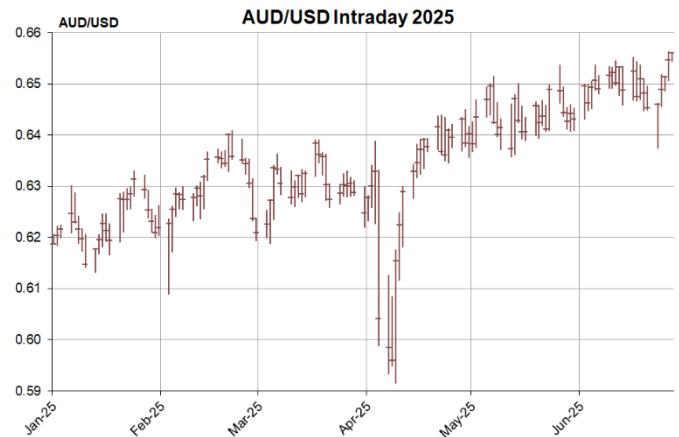
Currencies

The Australian dollar was one of the weaker performers among the G10 currencies over the past week. The losses came early, with the Aussie dollar slumping on Monday as geopolitical risk surged in the wake of the weekend strike on Iran's nuclear facilities by the US.

The Aussie dollar plunged against all the major currencies except for the weak Japanese yen, hitting a six-week low against the greenback and two-month low against the euro.

However, the Aussie stabilised and recovered most of its early losses amid news of a ceasefire between Iran and Israel, with the sharp turnaround in the AUD/USD driving the exchange rate to its highest levels since November 2024.

Much of the rebound was driven by a further bout of weakness in the greenback itself, with the US dollar index hitting fresh three-year lows. The greenback continues to be weighed down by uncertainty over the US policy outlook across a range of areas including trade, taxation of foreign investors, and the Fed.



Source: Bloomberg

Spot Rates		Current	High	Low	Change (%)	52-Week High	52-Week Low
AUD/USD		0.6560	0.6564	0.6373	↑1.3	0.6942	0.5915
AUD/EUR		0.5605	0.5617	0.5559	↓0.3	0.6261	0.4620
AUD/GBP		0.4772	0.4805	0.4754	↓0.7	0.5288	0.4620
AUD/JPY		94.67	94.85	93.85	↑0.6	109.37	86.05
AUD/CNY		4.7043	4.7045	4.5805	↑1.1	4.9340	4.3523
EUR/USD		1.1704	1.1744	1.1454	↑1.6	1.1744	1.0141
GBP/USD		1.3746	1.3771	1.3371	↑2	1.3771	1.2100
USD/JPY		144.31	148.03	143.75	↓0.7	161.95	139.58
USD/CNY		7.1706	7.1904	7.1574	↓0.1	7.3511	7.0063
Forward Rates		Spot	3M	6M	12M		
AUD/USD		0.6560	0.6572	0.6585	0.6602		
AUD/EUR		0.5605	0.5582	0.5560	0.5522		
AUD/GBP		0.4772	0.4779	0.4786	0.4798		
AUD/JPY		94.67	93.88	93.14	91.94		
AUD/NZD		1.0799	1.0786	1.0778	1.0769		
AUD/SGD		0.8355	0.8318	0.8284	0.8218		

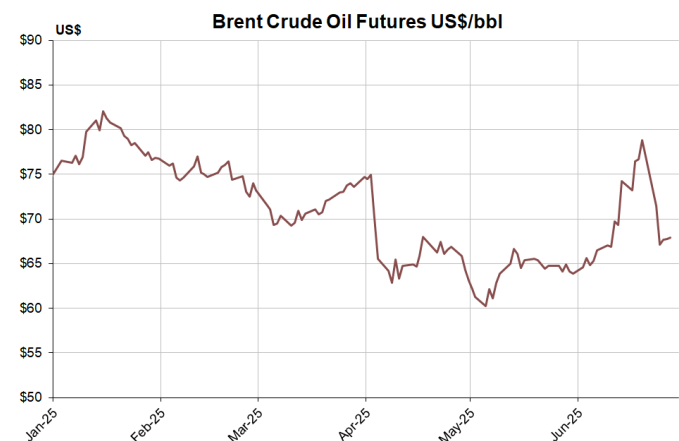
Commodities

Oil prices declined on news of a ceasefire between Israel and Iran, with Brent crude sliding over 13% on Monday and Tuesday, the biggest two-day fall since March 2022. With little in the way of fresh geopolitical news over the past few days, prices have since stabilised.

Gold prices also slipped, declining to two-week lows after the ceasefire announcement.

Iron ore futures prices continue to trade in a narrow range. Pilbara Ports shipping figures showed 53.1 million tonnes of iron ore were exported in May, just short of the 54.2 million tonne record in June 2024.

Copper prices, a key metal for the energy transition and digital infrastructure, have hit the highest levels in three months, with US imports rising sharply ahead of an anticipated US tariff increase.



Source: Bloomberg

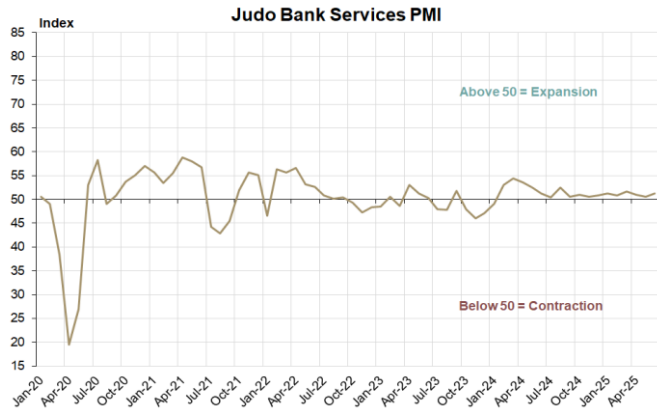
	Current	High	Low	Change	52-Week High	52-Week Low
Gold (US\$)	\$3,305.11	\$3,395.07	\$3,295.62	(↓\$53.62)	\$3,500.10	\$2,296.59
Brent Crude Oil (US\$)	\$68.14	\$81.40	\$66.82	(↓\$8.6)	\$87.95	\$58.40
Mogas95* (US\$)	\$78.49	\$89.08	\$77.61	(↓\$8.31)	\$99.71	\$67.57
WTI Oil (US\$)	\$65.66	\$78.40	\$64.00	(↓\$10.27)	\$84.52	\$55.12
CRB Index	298.22	312.53	296.62	(↓16.18)	316.63	265.48
Iron Ore Price 62% Fe (US\$) **	\$94.55	\$94.85	\$92.35	(↑\$0.6)	\$115.00	\$88.40

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

** The Iron Ore Price is the SGX 62% Fe iron ore futures 2nd contract.

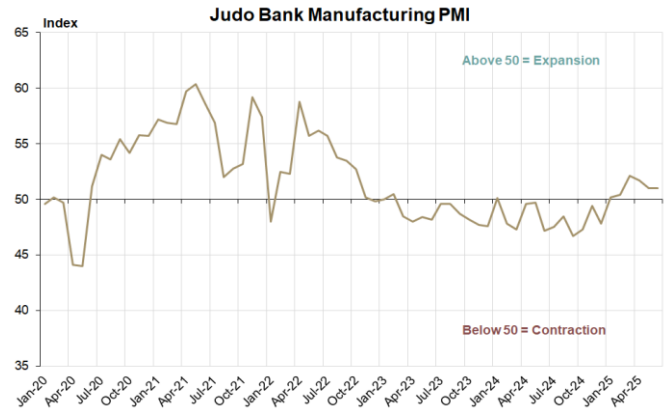
Domestic Economy

The **S&P Global PMI** report for June points to somewhat faster, albeit sluggish expansion in services.



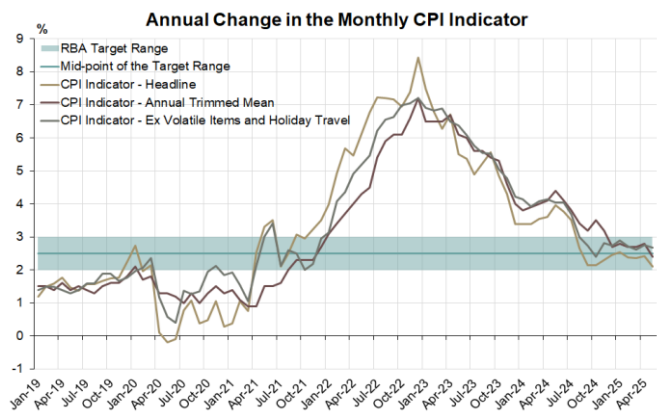
Source: Bloomberg

... and a steady pace of expansion in the **manufacturing sector**.



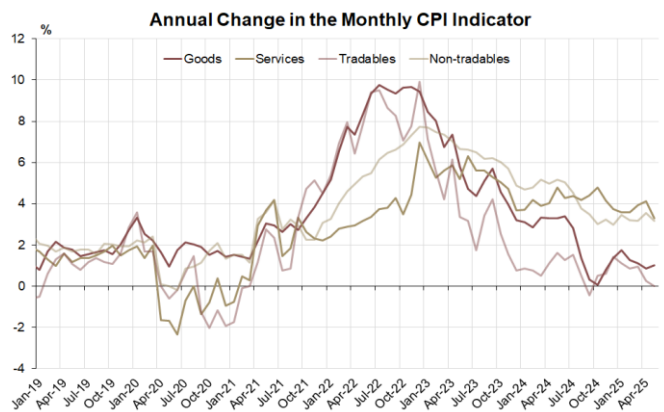
Source: Bloomberg

The **May CPI indicator** suggests that inflation remains in the target range, regardless of the measure.



Source: ABS

May disinflation was led by services, while goods price inflation, despite a slight rise, remained low.



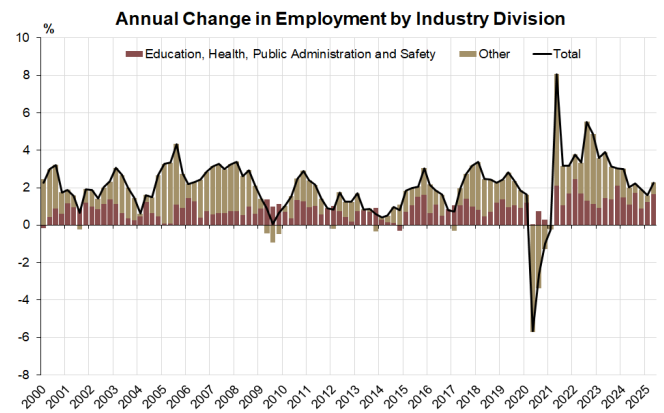
Source: ABS

At the same time, the still-low number of **unemployed per job vacancy** points to a tight labour market...



Source: ABS

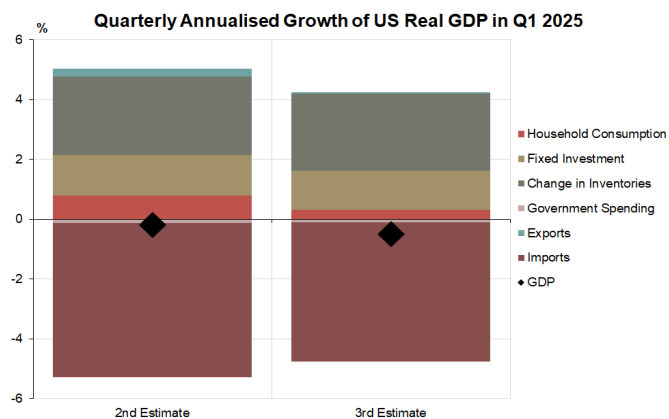
... though the strength of the labour market is increasingly concentrated in the **non-market sector**.



Source: ABS

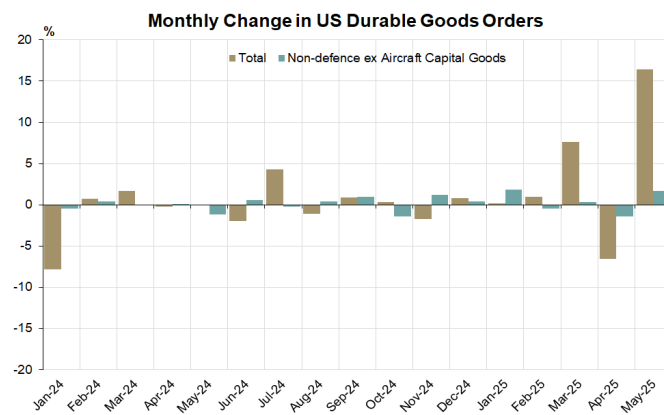
Global Economy

US GDP appears to have declined a little more than previously estimated in Q1.



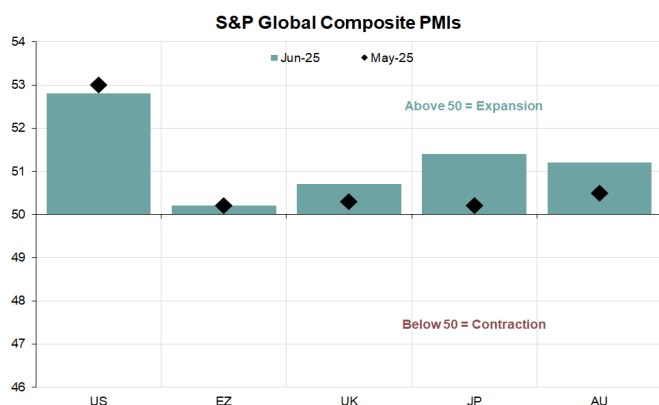
Source: US Bureau of Economic Analysis

Following the April weakness, **US durable goods orders** bounced in May, with tariffs partly responsible for volatility.



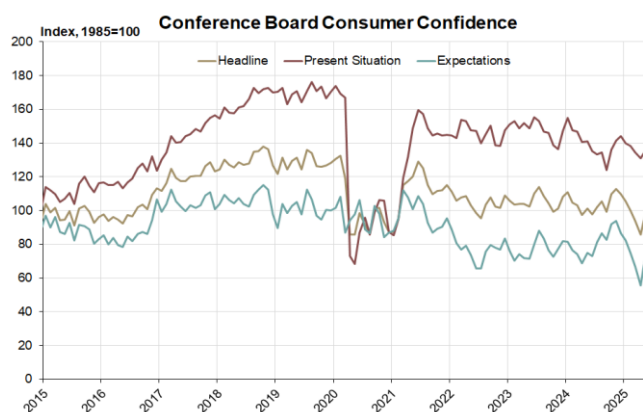
Source: Bloomberg

The **S&P Global flash PMIs** point to ongoing expansion in the major advanced economies, led by the US.



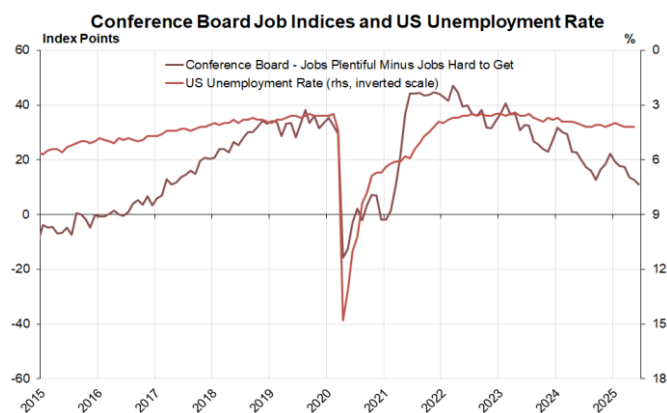
Source: Bloomberg

The **US Conference Board consumer confidence** fell in June, after improving due to the tariff pause in May.



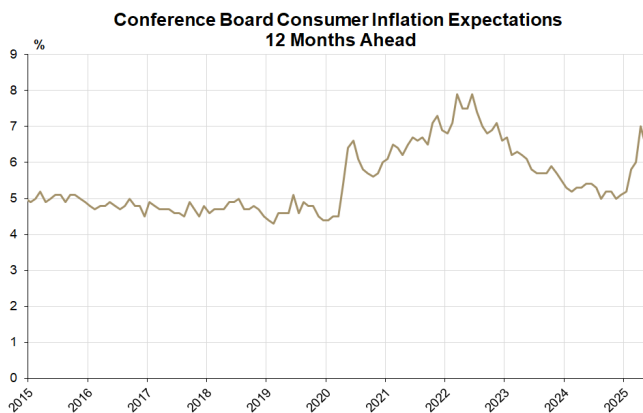
Source: Bloomberg

US households assess **labour market conditions** as the worst since 2021, but still positive.



Source: Bloomberg

One-year Conference Board consumer inflation expectations have eased a little, but remain elevated.



Source: Bloomberg

Last Week

Date	Event	Actual	Forecast	Previous	Comment
Mon 23					
AU	S&P Global Comp. PMI (Jun)	51.2	-	50.5	New export orders declined in June.
JP	Jibun Bank Composite PMI (Jun)	51.4	-	50.2	Japanese manufacturing out of contraction.
EZ	HCOB Composite PMI (Jun)	50.2	50.5	50.2	Euro area manufacturing still in contraction.
UK	S&P Global Comp. PMI (Jun)	50.7	50.5	50.3	Details point to inflation easing from the April peak.
US	Existing Home Sales (MoM, May)	0.8%	-1.3%	-0.5%	38.9% off its 2020 highs.
US	S&P Global Comp. PMI (Jun)	52.8	52.2	53.0	Artificially propped up by faster growth in unfinished work.
Tue 24					
AU	ANZ Cons. Conf. (w/e 21 Jun)	86.7	-	85.4	Consumer inflation expectations down 0.2ppts to 4.7%.
US	CB Consumer Conf. (Jun)	93.0	99.8	98.4	Tariffs and inflation remain the top concerns.
US	C-S Hse Price 20 City (MoM, Apr)	-0.3%	0.0%	-0.2%	The second decline after a two-year streak of gains.
Wed 25					
AU	Monthly CPI Indicator (YoY, May)	2.1%	2.3%	2.4%	Annual trimmed mean inflation at a 3.5-year low of 2.4%.
US	New Home Sales (MoM, May)	-13.7%	-6.7%	10.9%	Fell to a seven-month low.
Thu 26					
AU	Job Vacancies (QoQ, Q2)	2.9%	-	-4.3%	Vacancies down 2.7% from a year earlier.
US	Durable Goods (MoM, May)	16.4%	8.5%	-6.6%	Non-defence ex aircraft orders up by 1.7% in May.
US	GDP (QoQ annualised, Q1, final)	-0.5%	-0.2%	-0.2%	Downgrade due to lower household spending & exports.
US	CFNAI (May)	-0.28	-0.22	-0.36	Points to below-trend growth of the US economy.
US	Goods Trade Balance (May, adv.)	-US\$97b	-US\$86b	-US\$87b	Exports declined by 5.5% MoM, while imports were flat.
US	Initial Jobless Claims (w/e 21 Jun)	236k	243k	246k	Continued claims rose to 1,974k in w/e 14 June.
Tonight					
US	Personal Spending (MoM, May)	-	0.1%	0.2%	Real personal spending expected to be flat in May.
US	PCE Price Index (MoM, May)	-	0.1%	0.1%	Annual rate of PCE inflation to rise 0.1ppts to 2.6%.

Next Week

Date	Event	Forecast	Previous	Comment
Mon 30				
AU	Private Sector Credit (MoM, May)	0.7%	0.7%	Saw broad-based acceleration in growth in April.
AU	Melbourne Institute Inflation (MoM, Jun)	-	-0.4%	Was a good predictor of a downside surprise to the May CPI.
CH	NBS Composite PMI (Jun)	-	50.4	First insights into the Chinese economy in June.
Tue 01				
AU	Cotality Home Value Index (MoM, Jun)	-	0.5%	RBA easing saw home price growth accelerate in most cities.
CH	Caixin Manufacturing PMI (Jun)	-	48.3	Fell back into contraction in May.
EZ	HICP (YoY, Jun)	-	1.9%	Inflation now in line with the ECB's price stability goal.
US	ISM Manufacturing PMI (Jun)	49.0	48.5	S&P Global report suggested expansion.
US	JOLTS Job Openings (May)	-	7.4m	Remain slightly higher than officially unemployed.
Wed 02				
AU	Retail Trade (MoM, May)	0.3%	-0.1%	ABS to conclude publishing this report next month.
AU	Dwelling Approvals (MoM, May)	4.9%	-5.7%	Remain insufficient, even for slowing population growth.
US	ADP Employment (monthly change, Jun)	110k	37k	Has been a poor indicator of the official labour force numbers.
Thu 03				
AU	Goods Trade Balance (May)	A\$5.0b	A\$5.4b	Tariff impacts limited to a surge in non-monetary gold exports.
CH	Caixin Services PMI (Jun)	-	51.1	Caixin composite PMI was in contraction in May.
US	ISM Services PMI (Jun)	50.8	49.9	S&P Global PMIs also suggest expansion in US services.
US	Non-farm Payrolls (monthly change, Jun)	120k	139k	US labour market expansion has slowed compared to 2024.
US	Unemployment Rate (Jun)	4.3%	4.2%	FOMC kept its longer-run projection at 4.2% in June.
Fri 04				
AU	Household Spending Indicator (MoM, Jun)	-	0.1%	Private consumption has shown renewed weakness of late.