

Interest Rates			FX			Commodities		
Australia		Δ bp	AUD/USD	0.7024	-0.6%	WTI Crude Oil	75.87	-\$0.74
90-day Bill	4.47	0	AUD/JPY	112.87	-0.4%	Brent Crude Oil	78.70	-\$0.79
3-year Bond	4.43	4	AUD/EUR	0.6101	0.2%	Mogas95*	99.59	\$0.21
10-year Bond	4.80	2	AUD/GBP	0.5278	0.3%	CRB Index	364.45	1.96
			AUD/NZD	1.2153	0.3%	Gold	4313.15	-\$23.88
			AUD/CNY	4.7612	-0.4%	Silver	69.23	-\$0.94
US			EUR/USD	1.1512	-0.9%	Iron Ore (61% Fe)**	99.30	-\$1.60
2-year	4.17	12	USD/JPY	160.70	0.2%	Iron Ore (25-26 Average)	103.82	-\$0.03
10-year	4.47	4	USD/CNY	6.7607	0.1%	Copper	13814.50	\$40.50
			RBA Policy			Equities		
			O/N Cash Rate Target	4.35		ASX200	8943	31
			Interbank O/N Cash Rate	4.35		Dow Jones	51493	-507
Other 10-year			Probability of a 25bps Hike in Aug	27.9%		S&P500	7420	-91
Japan	2.63	0	RBA Bond Holdings (29 May)	A\$229.8b		Stoxx600	639	3
Germany	2.93	0				CSI300	4931	47
UK	4.75	-4						

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

**Iron ore is the second SGX futures contract.

US stocks saw some more losses last night, while Treasury yields surged in reaction to hawkish communication from the Fed. Oil prices declined a little further amid the news this morning that the US and Iran had signed a memorandum of understanding on a 60-day ceasefire.

During its first meeting with Kevin Warsh at the helm, the FOMC kept the fed funds rate target range unchanged at 3.50-3.75%, as expected. However, the fed funds rate forecasts were revised upwards, and now show that nine out of 19 participants see a case for a hike later this year. This compares to 12 participants expecting a cut in March, with the fed funds rate path in 2027 and 2028 also revised up. As a result, the market is again fully pricing in a rate hike for this year, with an 80% probability of another one next year.

Meanwhile, the US and Iran signed a memorandum of understanding two days earlier than first announced, with the text released by the White House this morning envisaging a 60-day extendable ceasefire on all fronts, including Lebanon. The memorandum of understanding implies, among others, the end of sanctions on Iran and an immediate start of traffic through the Strait of Hormuz. However, this agreement is aimed to allow time for negotiating the final deal, meaning that it is quite fragile and its terms are subject to change in the final document.

The Australian dollar reacted to the above news depreciating against the US dollar and Japanese yen, and appreciating versus the euro and British pound. Commonwealth bond yields rose less than their US equivalents. The ASX 200 opened slightly higher this morning, after gaining 0.6% yesterday despite a weak start.

Data-wise, US retail sales picked up by a solid 0.9% in May, which was nearly double than expected. Growth in retail sales control group – which excludes food services, petrol stations, car dealers and building materials, and tracks the national accounts consumer spending well – re-accelerated to 0.7%. Retail trade is in nominal terms, meaning that it does not control for price changes. Inflation-adjusted consumer spending data for May will be published next week.

Across the Atlantic, the UK CPI rose by 0.2% in May, less than the 0.4% pencilled in by the market consensus and the 0.7% recorded in the previous month, while the annual rate of inflation remained at 2.8%.

Closer to home, New Zealand GDP rose by 0.8% in Q1, in line with market expectations, but the outcome for Q4 2025 was revised upwards to 0.5% from the initially estimated 0.2%. Annual GDP growth remained at 1.5% in Q1.

In Australia, the Westpac leading index was steady in May, but its six-month annualised growth rate – which signals the likely pace of economic activity growth relative to trend in three to nine months – remained slightly negative (at -0.2%, roughly the same as a month ago). A separate set of data published by the Commonwealth Bank suggested that consumer spending picked up in May, following a decline in the previous month.

Economic Data Review

- **AU:** Westpac Leading Index (MoM, May) – Actual 0.0%, Previous 0.0%.
- **NZ:** GDP (QoQ, Q1) – Actual 0.8%, Expected 0.8%, Previous 0.5% (revised).
- **UK:** CPI (MoM, May) – Actual 0.2%, Expected 0.4%, Previous 0.7%.
- **US:** Retail Sales (MoM, May) – Actual 0.9%, Expected 0.5%, Previous 0.4% (revised).

Economic Data Preview

- **UK:** Bank of England Decision (Bank Rate) – Expected 3.75%, Expected 3.75%.