

Highlights this week

- In Australia, annual headline CPI inflation in May surprised to the downside, but trimmed mean inflation rose more than expected. Employment bounced back in May, after a significant drop in the previous month, while the unemployment rate ebbed to 4.4%. Household spending growth in May also turned out stronger than anticipated. The S&P Global flash PMIs for Australia suggested stagnation in June, though the pace of expansion in manufacturing accelerated.
- Abroad, maritime traffic in the Strait of Hormuz continued to normalise for most of this week. US PCE inflation rose to a three-year high in May, but consumer spending showed further signs of resilience. US durable goods orders fell in May, dragged down by the volatile aircraft orders. The weaker-than-estimated growth in imports saw Q1 US GDP growth revised slightly upwards. The S&P Global PMIs pointed to moderate expansion in the US and Japan, but also ongoing contraction in the euro area and UK, with ongoing outperformance of the manufacturing sector.

Highlights next week

- Domestic highlights next week will be the RBA Monetary Policy Board minutes on Tuesday, the June Cotality home value index and the May dwelling approvals release on Wednesday, followed by the goods trade balance for May on Thursday.
- The key releases offshore will be the US labour market data as well as the US and Chinese PMIs.

Central Bank Rates (%)	Weekly Change	Australian Interest Rates (%)	Weekly Change	Major Overseas Interest Rates (%)	Weekly Change	Global Equities	Weekly Change
Australia	4.35 (0 pt)	O/N Interbank Cash	4.35 (0 pt)	USD 3-month	3.53 (0 pt)	ASX200	8760 (↓67 pt)
US (IOR)	3.65 (0 pt)	90-day Bills	4.46 (0 pt)	2-yr T-Notes	4.11 (↓6 pt)	S&P500	7357 (↓143 pt)
Eurozone (Deposit)	2.25 (0 pt)	3-yr T-Bond	4.36 (↓7 pt)	10-yr T-Notes	4.39 (↓6 pt)	DJIA	51921 (↑356 pt)
UK	3.75 (0 pt)	10-yr T-Bond	4.73 (↓5 pt)	Jap 10-yr	2.63 (↓1 pt)	Nikkei	69973 (↓1301 pt)
Japan (Target)	1.00 (0 pt)	3-yr WATC Bond	4.56 (↓7 pt)	UK 10-yr	4.70 (↓6 pt)	CSI300	4976 (↑34 pt)
China (1Y LPR)	3.00 (0 pt)	10-yr WATC Bond	5.15 (↓4 pt)	Ger 10-yr	2.86 (↓7 pt)	Stoxx600	640 (↑3 pt)

Changes are since the previous issue of Market WATCH Weekly.

Financial Markets

Interest Rates

Government bond yields declined this week, reflecting easing concerns over inflation and monetary policy tightening after global oil prices dropped amid the rise in traffic in the Strait of Hormuz for most of the week.

Market participants still anticipate tightening from the Fed later this year, but rate hike expectations are increasingly moving to December from September compared with around a week ago.

Rate hike expectations from the ECB were also pushed back to December this week, while a rate hike from the Bank of England is no longer priced in. On the other side of the ledger, rate hike expectations for the Bank of Japan re-intensified this week, reflecting solid high-frequency data and an upside surprise to the Tokyo CPI inflation figures.

RBA cash rate hike expectations eased further this week, which was not only due to global factors, but also to mixed domestic inflation and labour market figures. Market participants are also increasingly expecting rate cuts next year.

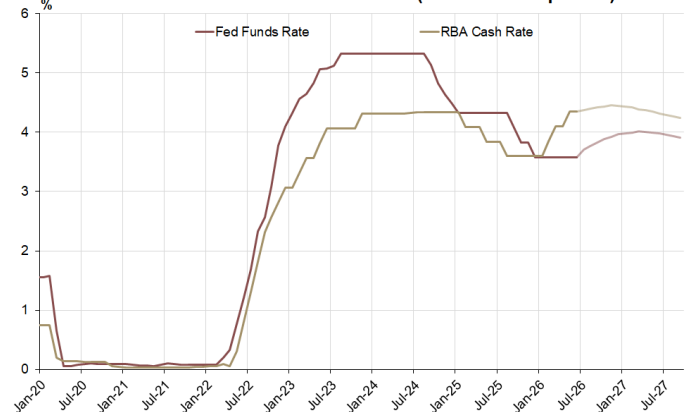
Equities

It was a mixed week for equities. The optimism about the revival of traffic in the Strait of Hormuz and easing rate hike expectations was initially replaced by a new artificial intelligence frenzy, especially given how highly leveraged the sector is.

However, concerns over the sustainability of the artificial intelligence boom started to creep in later in the week, leaving the S&P 500 and tech-heavy Nasdaq lower. However, several sectors, especially industrials, continued to climb, thanks to which the Dow Jones is up for the week and close to its record high.

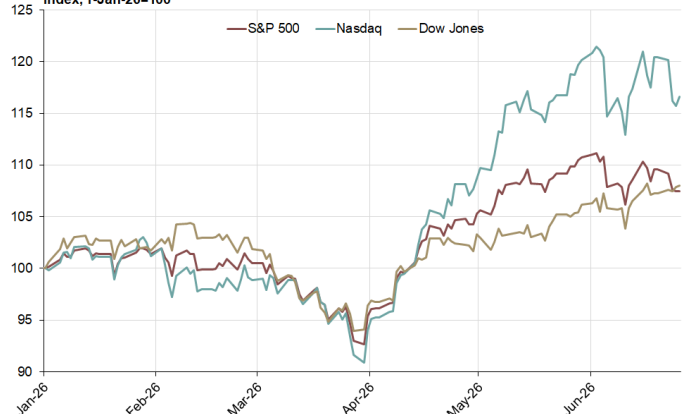
The Aussie ASX 200 is down by 0.8% from its levels last Friday morning. The weekly results were mixed across sectors, with evidence of a rebound in household spending helping consumer stocks to the top of the table, while information technology, energy and materials saw solid declines.

Fed Funds Rate and RBA Cash Rate (Actual and Expected)



Source: Bloomberg

US Benchmark Stock Market Indices



Source: Bloomberg

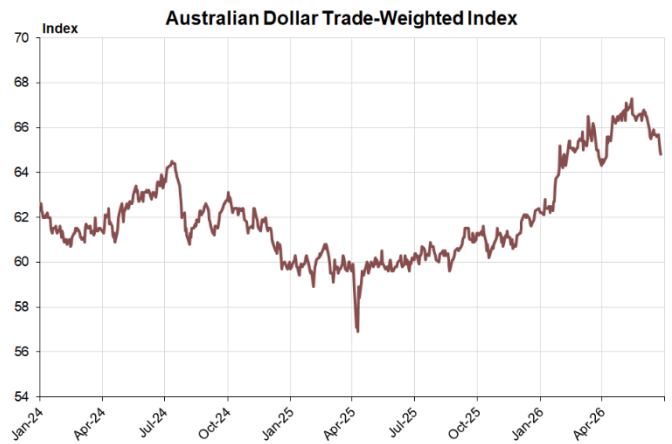
Currencies

The Australian dollar fell against all the major currencies over the past week and has been the weakest member of the G10 currency basket except for the New Zealand dollar.

The broad slide in the Australian dollar came amid deteriorating market sentiment and a decline in expectations for an RBA cash rate increase later this year following a mixed CPI report. The depreciation has seen the AUD trade-weighted index – which values the AUD against a basket of foreign currencies based on the share of trade with Australia – fall to its lowest level since early April.

The biggest falls were against the stronger greenback and the British pound. The US dollar index climbed to its highest level in more than a year.

The AUD/USD exchange fell sharply early in the week before stabilising, however fresh weakness has emerged this morning.



Source: Bloomberg

Spot Rates		Current	High	Low	Change (%)	52-Week High	52-Week Low
AUD/USD		0.6880	0.7025	0.6876	↓1.8	0.7278	0.6415
AUD/EUR		0.6057	0.6131	0.6055	↓1	0.6207	0.4754
AUD/GBP		0.5219	0.5321	0.5216	↓1.7	0.5394	0.4754
AUD/JPY		111.31	113.44	111.25	↓1.4	114.92	93.97
AUD/CNY		4.6810	4.7531	4.6767	↓1.3	4.9567	4.5602
EUR/USD		1.1357	1.1478	1.1325	↓0.8	1.2081	1.1325
GBP/USD		1.3184	1.3273	1.3140	↓0.1	1.3868	1.3010
USD/JPY		161.79	161.95	161.08	↑0.4	161.95	142.68
USD/CNY		6.8036	6.8129	6.7710	↑0.5	7.2140	6.7555

Forward Rates		Spot	3M	6M	12M
AUD/USD		0.6880	0.6868	0.6859	0.6844
AUD/EUR		0.6057	0.6023	0.5991	0.5931
AUD/GBP		0.5219	0.5210	0.5202	0.5189
AUD/JPY		111.31	110.30	109.32	107.46
AUD/NZD		1.2219	1.2160	1.2109	1.2028
AUD/SGD		0.8926	0.8854	0.8782	0.8645

Commodities

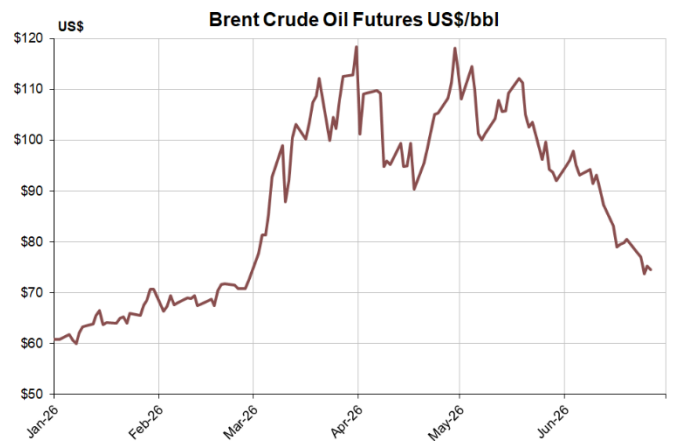
Oil prices declined again this week as shipping through the Strait of Hormuz continued to pick up, although traffic remains around one-third of pre-war levels. Prices fell to the lowest levels since the initial US-Israel strikes on Iran on 28 February but remain well above those seen prior to the pre-war US military build-up in the region that began in January.

Prices recovered some of the earlier losses overnight amid reports that a cargo ship had been struck by a drone.

Iron ore futures prices have slipped to four-month lows amid falling steel prices and ongoing concerns over the outlook for demand.

The decline in iron ore came alongside a general fall in metal prices over the past week, with copper prices falling to the lowest level since early May and aluminium hitting four-month lows.

Gold dipped below US\$4,000 an ounce for the first time since November 2025 before stabilising.



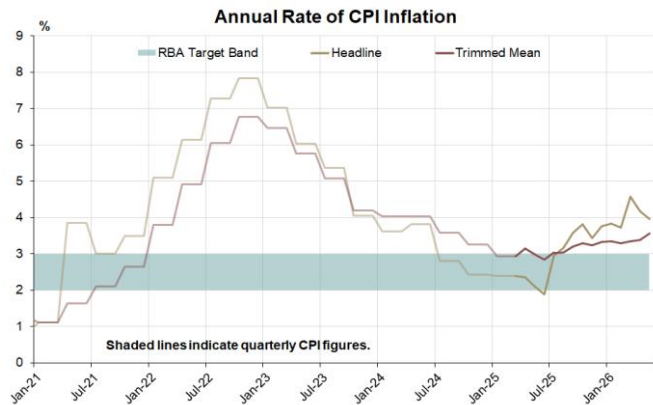
Source: Bloomberg

	Current	High	Low	Change	52-Week High	52-Week Low
Gold (US\$)	\$3,993.57	\$4,220.72	\$3,959.33	(↓\$202.65)	\$5,595.47	\$3,248.71
Brent Crude Oil (US\$)	\$74.33	\$82.30	\$72.06	(↓\$5.52)	\$126.41	\$58.72
Mogas95* (US\$)	\$97.68	\$105.60	\$93.85	(↓\$3.12)	\$150.55	\$68.52
WTI Oil (US\$)	\$71.14	\$78.96	\$68.90	(↓\$4.96)	\$119.48	\$54.98
CRB Index	356.05	362.07	350.01	(↓6.02)	406.18	291.69
Iron Ore Price 61% Fe (US\$) **	\$97.30	\$99.50	\$96.95	(↓\$1.95)	\$111.90	\$92.35

*Mogas95 is the Singapore benchmark petrol price closely linked to Australian domestic fuel prices.
 ** The Iron Ore Price is the SGX 61% Fe iron ore futures 2nd contract.

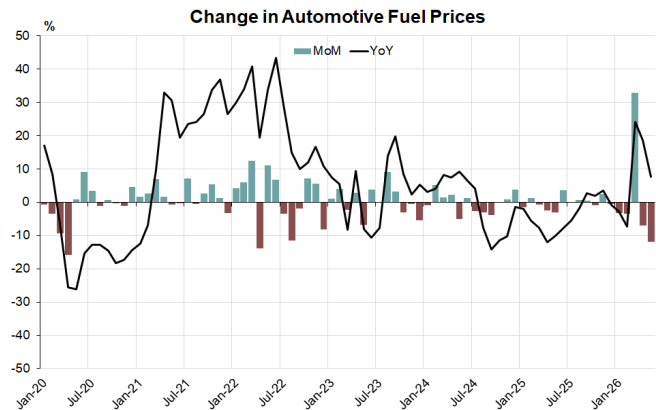
Domestic Economy

Annual headline **CPI inflation** continued to ease in May, but trimmed mean inflation is climbing further.



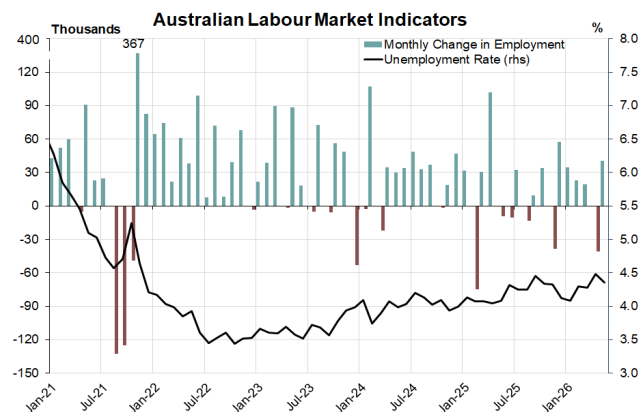
Source: ABS

Lower headline inflation was driven by lower fuel costs, which were not included in the trimmed mean in May.



Source: ABS

Employment bounced back in May, while the unemployment rate declined and remains low.



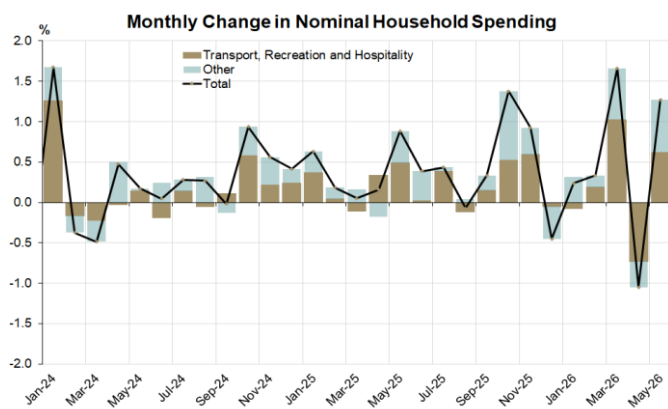
Source: ABS

Labour market conditions are easing gradually, but are still exceptionally tight by historical standards.



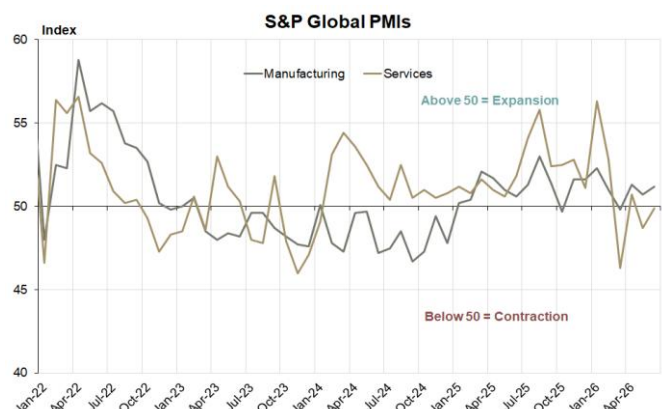
Source: ABS

Household spending also rebounded in May, with half of the gain from transport, recreation and hospitality.



Source: ABS

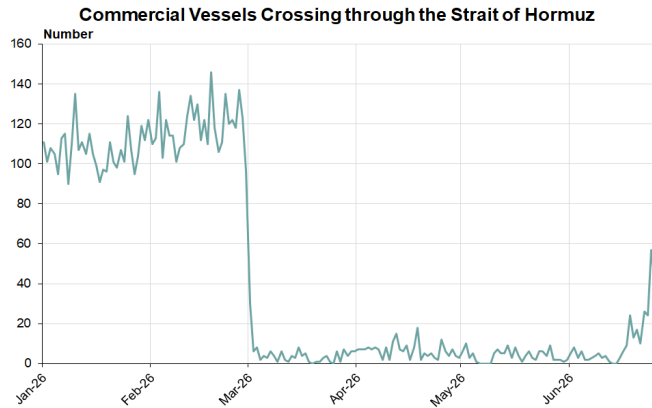
The **S&P Global PMIs** suggest only marginal contraction in services and faster expansion in manufacturing.



Source: Bloomberg

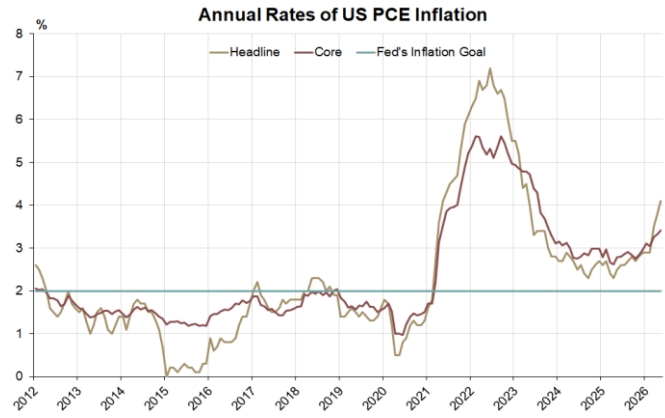
Global Economy

The traffic in the **Strait of Hormuz** was picking up for most of the week, but remains well off the pre-war levels.



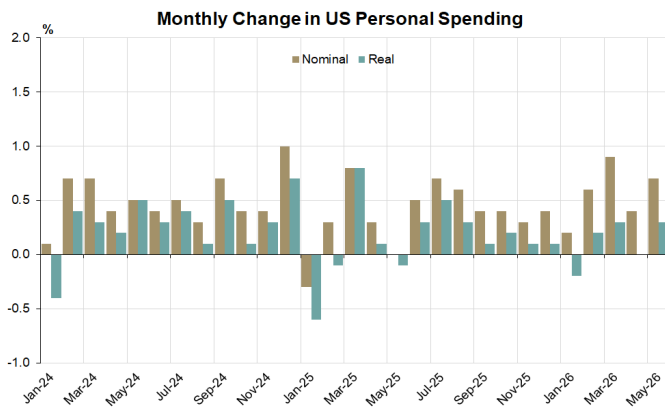
Source: Bloomberg

Annual rates of **US PCE inflation** are at three-year highs, but the rise in the core rate has been smaller.



Source: Bloomberg

US consumer spending appears quite resilient to the recent rise in inflation.



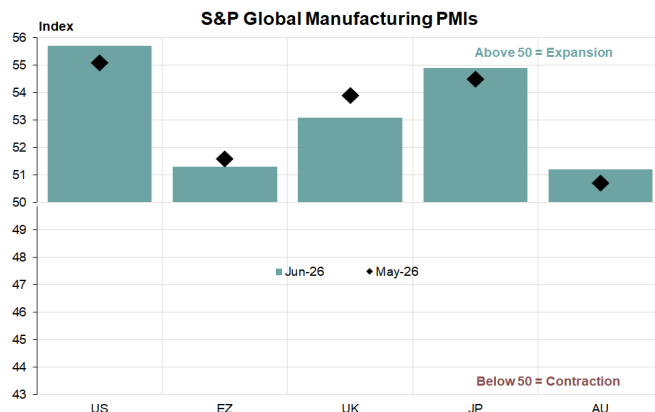
Source: Bloomberg

This resilience comes partly at the cost of savings, with the **savings rate** at a four-year low.



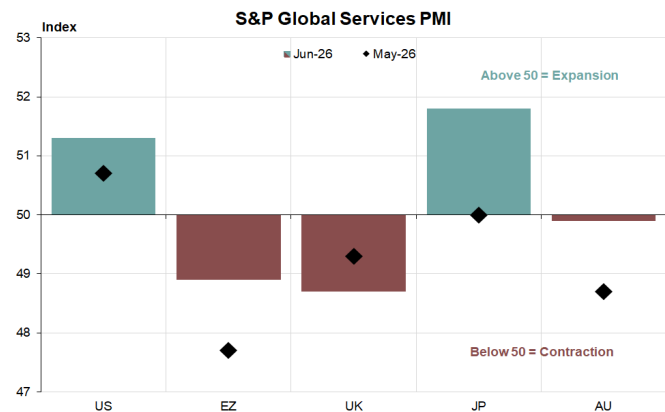
Source: Bloomberg

S&P Global PMIs suggest ongoing strong expansion in manufacturing, particularly in the US and Japan.



Source: Bloomberg

Contraction in **services** continues in Europe, but the US and Japan saw solid growth in services in June.



Source: Bloomberg

Last Week

Date	Event	Actual	Forecast	Previous	Comment
Mon 22					
CH	PBoC Announcement (5Y LPR)	3.50%	3.50%	3.50%	One-year loan prime rate also kept unchanged at 3.00%.
Tue 23					
AU	S&P Global Composite PMI (Jun)	49.8	-	48.7	Slower, but still steep, increase in cost pressures.
AU	ANZ Cons. Conf. (w/e 20 Jun)	72.8	-	70.7	The highest level since early March.
JP	S&P Global Composite PMI (Jun)	52.5	-	51.1	Growth in manufacturing activity re-accelerated in June.
EZ	S&P Global Composite PMI (Jun)	49.5	49.2	48.5	Germany and France still in contraction.
UK	S&P Global Composite PMI (Jun)	49.4	50.0	49.7	Political uncertainty affecting business sentiment.
US	S&P Global Composite PMI (Jun)	52.2	52.1	51.5	Expansion in manufacturing the fastest in five years.
Wed 24					
AU	CPI (MoM, May)	-0.7%	-0.4%	0.4%	Annual trimmed mean inflation up by 0.2ppts to 3.6%.
Thu 25					
AU	Employment (MoM, May)	40.3k	32.5k	-40.7k	Most of the gain came from part-time jobs.
AU	Unemployment Rate (May)	4.4%	4.4%	4.5%	The participation rate up by 0.1ppts to 66.7%.
AU	Household Spending (MoM, May)	1.3%	0.5%	-1.1%	A broad-based rebound.
AU	Job Vacancies (QoQ, Q2)	-2.1%	-	2.4%	Still over 40% above pre-COVID levels.
US	Personal Spending (MoM, May)	0.7%	0.6%	0.4%	Real consumer spending rose by 0.3% in May.
US	PCE Price Index (MoM, May)	0.4%	0.5%	0.4%	Annual rates of PCE inflation at three-year highs.
US	Durable Orders (MoM, May)	-4.5%	-5.0%	8.5%	Non-defence orders excluding aircraft rose by 1.6%.
US	GDP (QoQ annualised, Q1, final)	2.1%	1.6%	1.6%	Upgrade due to a slower-than-estimated rise in imports.
US	Initial Jobless Claims (w/e 20 Jun)	215k	225k	227k	Continued claims were also little changed in w/e 13 June.
Fri 26					
	No market-moving data				

Next Week

Date	Event	Forecast	Previous	Comment
Mon 29				
	No market moving data			
Tue 30				
AU	RBA Monetary Policy Board Minutes (Jun)	-	-	The RBA is in its wait-and-see mode.
AU	Private Sector Credit (MoM, Jun)	0.6%	0.7%	The release could be delayed.
CH	NBS Composite (Jun)	-	50.5	First insights into Chinese activity in June.
US	C-S Hse Prices 20 Cities (MoM, Apr)	-	-0.2%	March saw the second decline in a row.
US	JOLTS Job Openings (May)	7.3m	7.6m	The unexpected increase in April set to unwind.
US	Conference Board Cons. Conf. (Jun)	94.3	93.1	US consumer mood is sagging.
Wed 01				
AU	Cotality Home Value (MoM, Jun)	-	-0.1%	May saw declines in Sydney and Melbourne, gains elsewhere.
AU	Dwelling Approvals (MoM, May)	0.0%	-3.4%	Month-to-month volatility caused by choppy unit approvals.
EZ	HICP (YoY, Jun, flash)	3.1%	3.2%	Inflation above the goal prompted an ECB rate hike in June.
CH	RatingDog Manufacturing PMI (Jun)	51.3	51.8	Has been more optimistic than the official NBS equivalent.
US	ISM Manufacturing PMI (Jun)	53.8	55.7	S&P Global PMIs signalled faster expansion in manufacturing.
US	ADP Employment (monthly change, Jun)	118k	122k	Has been a poor indicator of the official job figures.
Thu 02				
AU	Goods Trade Balance (May)	A\$2.3b	A\$1.8b	Bounced back into surplus in April.
US	Non-farm Payrolls (monthly change, Jun)	115k	172k	The rise in May was quite solid and broad-based.
US	Unemployment Rate (Jun)	4.3%	4.3%	US unemployment rate remains moderate.
Fri 03				
CH	RatingDog Services PMI (Jun)	-	54.4	RatingDog composite PMI stood at 54.0 in May.