

Interest Rates			FX			Commodities		
Australia		Δ bp	AUD/USD	0.7133	-0.6%	WTI Crude Oil	95.49	\$0.91
90-day Bill	4.47	0	AUD/JPY	114.08	-0.6%	Brent Crude Oil	97.22	\$0.34
3-year Bond	4.56	-1	AUD/EUR	0.6144	-0.5%	Mogas95*	113.11	-\$0.02
10-year Bond	4.92	0	AUD/GBP	0.5312	-0.4%	CRB Index	388.99	0.01
			AUD/NZD	1.2147	0.3%	Gold	4449.67	-\$34.32
			AUD/CNY	4.8335	-0.5%	Silver	73.11	-\$1.90
US			EUR/USD	1.1609	-0.2%	Iron Ore (61% Fe)**	103.00	-\$1.75
2-year	4.07	2	USD/JPY	159.93	0.0%	Iron Ore (25-26 Average)	103.95	\$0.00
10-year	4.48	3	USD/CNY	6.7785	0.2%	Copper	13825.00	-\$215.50
			RBA Policy			Equities		
			O/N Cash Rate Target	4.35		ASX200	8679	-73
			Interbank O/N Cash Rate	4.35		Dow Jones	50687	-621
Other 10-year			Probability of a 25bps Hike in Jun	4.3%		S&P500	7554	-56
Japan	2.65	5	RBA Bond Holdings (29 May)	A\$229.8b		Stox600	621	-4
Germany	3.04	6				CSI300	4939	24
UK	4.93	7						

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

**Iron ore is the second SGX futures contract.

US equities slumped early in the overnight session and never recovered, with the S&P 500 down 0.7% for the day, breaking a six-day run of record highs. The fall came as the war in the Persian Gulf threatened to reignite, with the US and Iran trading strikes. This offset further evidence that the US economy continues to outperform. Concerns that the ceasefire is coming under increasing strain pushed oil prices to the highest levels in a week, while bond yields also climbed. The US dollar index rose to its highest level in almost three months.

The decline on Wall Street followed a negative session in Europe and a mainly positive day in the Asia-Pacific, including a solid 0.7% increase in the ASX 200 led by miners. Aussie bond yields dipped following the Q1 GDP figures before rising again later in the day. Yield opened higher this morning, following overnight moves but have since fallen back. The risk-off sentiment in financial markets helped drive the Aussie dollar lower against all the major currencies.

The ISM services PMI rose 0.9pts to 54.5 in May, indicating that the US service sector grew at a solid pace in the month (above 50 = expansion). Growth in business activity and new orders accelerated, while the prices paid index signalled the fastest input cost inflation since 2022. US businesses reported shortages of computers and related items, electronic components and memory chips, likely the result of high levels of data centre investment and the impact on supply chains.

The employment subindex was 47.9, suggesting the US service sector continued to shed jobs. However, this was at odds with the ADP employment report, which showed a 122k rise in private payrolls in May, the biggest monthly increase since January 2025. That said, the ADP has been a poor indicator of the official payroll numbers, due on Friday.

The Chinese RatingDog services PMI rose by 1.8pts to a three-month high of 54.4 in May, with further growth in new orders and improved business confidence, but also the highest input cost inflation since October 2024. The Rating Dog composite PMI picked up to 54.0 in May, which is also a three-month high and the second highest level in two years.

At home, real GDP rose by 0.3% in Q1, slightly less than the 0.4% expected by the markets, while annual growth remained at 2.5%. Business investment was the largest contributor to quarterly demand growth amid data centre construction; although, this was offset to some extent by the rise in imports of equipment required for that investment. Household consumption also contributed to growth, thanks to a 0.8% increase in essential spending, however, discretionary spending growth was weaker at 0.1%, likely due to the impact on confidence of higher interest rates and fuel costs.

Economic Data Review

- **AU:** GDP (QoQ, Q1) – Actual 0.3%, Expected 0.4%, Previous 0.9% (revised).
- **CH:** RatingDog Services PMI (May) – Actual 54.4, Expected 52.2, Previous 52.6.
- **US:** ISM Services PMI (May) – Actual 54.5, Expected 53.8, Expected 53.6.
- **US:** ADP Private Employment (monthly change, May) – Actual 122k, Expected 120k, Previous 105k (revised).

Economic Data Preview

- **AU:** Goods Trade Balance (Apr) – Expected A\$1.6b, Previous -A\$1.8b.
- **AU:** Appearance by RBA Governor Michele Bullock before Senate Economics Committee.
- **US:** Initial Jobless Claims (w/e 30 May) – Expected 215k, Expected 215k.