

## Highlights this week

- In Australia, the RBA kept the cash rate unchanged on Tuesday, but reinforced its tightening bias.
- Abroad, the US and Iran have signed to a 60-day ceasefire memorandum of understanding. The FOMC and Bank of England left their policy rates steady this week, though half of FOMC participants see a case for tightening later this year. The Bank of Japan increased its overnight rate to a three-decade high. US retail sales growth re-accelerated in May, while industrial production growth came to a virtual halt. Chinese economic activity data for May was largely disappointing.

## Highlights next week

- A very busy week ahead domestically, with the S&P Global flash PMIs for June on Tuesday, May CPI figures on Wednesday, followed by the labour force survey results and household spending for May on Thursday.
- The highlights offshore will be US personal income and its disposition report, which will include PCE inflation targeted by the Fed, as well as the June flash PMIs for all the major advanced economies.

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 (↓5 pt)	ASX200	8826 (↑24 pt)
US (IOR)	3.65 (0 pt)	90-day Bills	4.47 (↓1 pt)	2-yr T-Notes	4.18 (↑11 pt)	S&P500	7501 (↑106 pt)
Eurozone (Deposit)	2.25 (0 pt)	3-yr T-Bond	4.43 (↑1 pt)	10-yr T-Notes	4.45 (↓1 pt)	DJIA	51565 (↑716 pt)
UK	3.75 (0 pt)	10-yr T-Bond	4.78 (↓3 pt)	Jap 10-yr	2.64 (↑1 pt)	Nikkei	71274 (↑4831 pt)
Japan (Target)	1.00 (↑25 pt)	3-yr WATC Bond	4.63 (0 pt)	UK 10-yr	4.76 (↓15 pt)	CSI300	4942 (↑146 pt)
China (1Y LPR)	3.00 (0 pt)	10-yr WATC Bond	5.19 (↓4 pt)	Ger 10-yr	2.93 (↓10 pt)	Stoxx600	637 (↑16 pt)

Changes are since the previous issue of Market WATCH Weekly.

## Financial Markets

### Interest Rates

The signing of memorandum of understanding between the US and Iran and the related decline in oil prices led to easing inflation concerns and a decline in long-term government bond yields. There were increases at the front end of the yield curves in the US and Australia, reflecting the hawkish language from the FOMC and RBA.

As expected, the RBA made a unanimous decision to keep the cash rate target unchanged at 4.35% this week. The post-meeting statement was slightly hawkish, but concluded the monetary policy is well-placed to gauge the impacts of the previous rate hikes. In the press conference, RBA Governor Michele Bullock confirmed a rate hike was not discussed at the meeting.

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%, but nine out of 19 participants see a case for a hike later this year (versus 12 participants expecting a cut in March). As a result, the market is again fully pricing in a fed funds rate hike for this year.

The Bank of England, Norges Bank and Riksbank also left their policy rates steady this week. However, the Bank of Japan increased its policy rate to 1.00%, the highest level since 1995.

### Equities

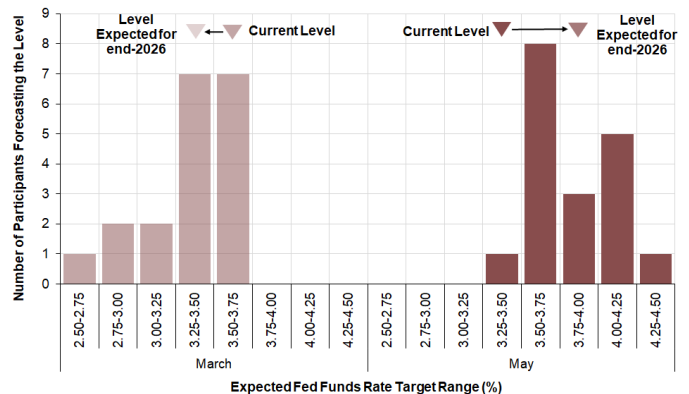
Global equities have had a strong week amid the signing of the US-Iran interim peace deal and the reopening of the Strait of Hormuz.

US equities jumped on Monday, as a surge in tech stocks more than offset a slump in energy shares. The market was supercharged by the huge Space X IPO last Friday that has made it the sixth biggest company in the world by market capitalisation.

Prices fell mid-week as traders took profits and expectations increased for a Fed rate hike this year rose, before rising again overnight as the Strait of Hormuz reopened to shipping.

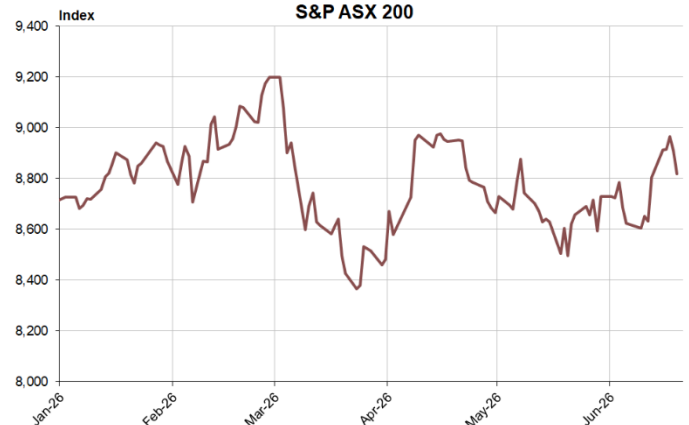
The Aussie market joined the global rally but underperformed. The ASX 200 closed Wednesday at a two-month high, but was dragged down by the selloff in the US. The ASX 200 has opened sharply lower again this morning, dragged down by resources.

FOMC Participant Expectations for the Fed Funds Rate for 2026



Source: Bloomberg

S&P ASX 200



Source: Bloomberg

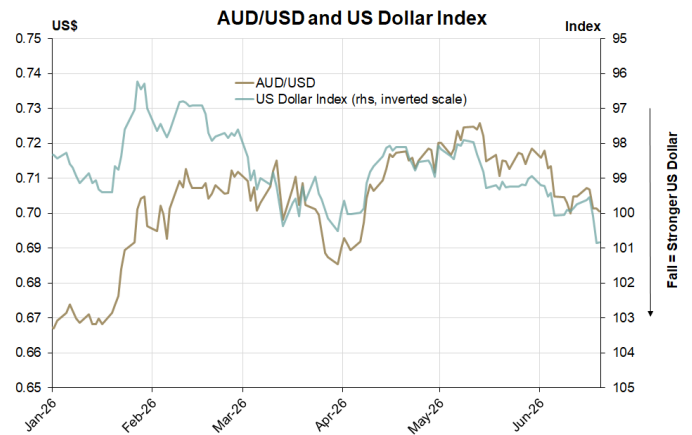
## Currencies

It was a quite volatile week for the Australian dollar, which was due to both domestic and global factors.

From the global factors, the signing of memorandum of understanding by the US and Iran led to improvement in the global market sentiment, which had a positive impact on the Australian dollar, while the decline in commodity prices had an opposite effect.

From the domestic factors, while the RBA communication after the June decision was hawkish, rate cut expectations have appeared for 2027, dragging on the AUD.

Overall, the Aussie dollar appreciated against all the major currencies except for the stronger greenback, which received support from re-intensification of fed funds rate hike expectations. The AUD was the second strongest G10 currency this week, while the oil-dependent Norwegian krone was the weakest.



Spot Rates		Current	High	Low	Change (%)	52-Week High	52-Week Low
AUD/USD		0.7005	0.7088	0.6995	↓0.5	0.7278	0.6373
AUD/EUR		0.6118	0.6127	0.6077	↑0.6	0.6207	0.4754
AUD/GBP		0.5309	0.5317	0.5250	↑1.2	0.5394	0.4754
AUD/JPY		112.94	113.55	112.48	↑0.1	114.92	93.81
AUD/CNY		4.7419	4.7894	4.7399	↓0.4	4.9567	4.5602
EUR/USD		1.1453	1.1622	1.1451	↓1	1.2081	1.1392
GBP/USD		1.3195	1.3461	1.3193	↓1.6	1.3868	1.3010
USD/JPY		161.21	161.81	159.74	↑0.6	161.81	142.68
USD/CNY		6.7682	6.7720	6.7555	↑0.1	7.2140	6.7555

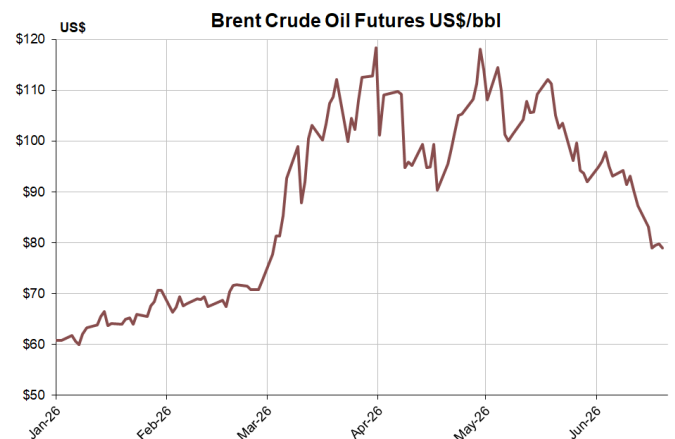
Forward Rates		Spot	3M	6M	12M
AUD/USD		0.7005	0.6993	0.6983	0.6968
AUD/EUR		0.6118	0.6084	0.6053	0.5993
AUD/GBP		0.5309	0.5300	0.5292	0.5280
AUD/JPY		112.94	111.90	110.90	108.97
AUD/NZD		1.2191	1.2135	1.2086	1.2005
AUD/SGD		0.9048	0.8975	0.8902	0.8762

## Commodities

Oil prices remain the headliner, with Brent crude slumping to the lowest levels since the early days of the war amid the US-Iran deal to extend the ceasefire and reopen the Strait of Hormuz.

QatarEnergy has reportedly told buyers that it can increase production to 80% of current capacity within two months of the Strait of Hormuz reopening. However, around 17% of capacity was damaged during the war and full restoration to prewar levels will take an estimated three to five years.

Iron ore futures prices fell below US\$100 a tonne for the first time in over three months, with traders shaken by another set of soft Chinese economic data. Particularly news that Chinese fixed asset investment continues to slide, as declines in real estate and traditional manufacturing, as well as slower infrastructure investment more than offset booming capital spending in high-tech industries.



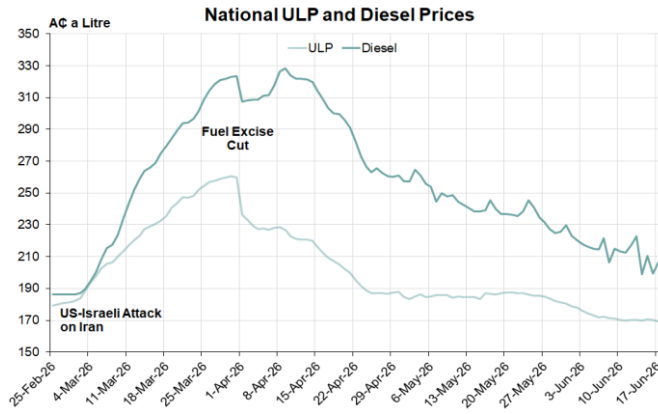
Source: Bloomberg

	Current	High	Low	Change	52-Week High	52-Week Low
Gold (US\$)	\$4,196.22	\$4,382.28	\$4,193.96	(↑\$2.91)	\$5,595.47	\$3,248.71
Brent Crude Oil (US\$)	\$79.85	\$89.90	\$76.54	(↓\$8.76)	\$126.41	\$58.72
Mogas95* (US\$)	\$100.80	\$111.09	\$96.91	(↓\$9.73)	\$150.55	\$68.52
WTI Oil (US\$)	\$76.10	\$82.42	\$73.58	(↓\$10.06)	\$119.48	\$54.98
CRB Index	362.07	368.86	362.07	(↓7.68)	406.18	291.69
Iron Ore Price 61% Fe (US\$)**	\$99.25	\$102.45	\$98.80	(↓\$2.25)	\$111.90	\$92.25

\*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.

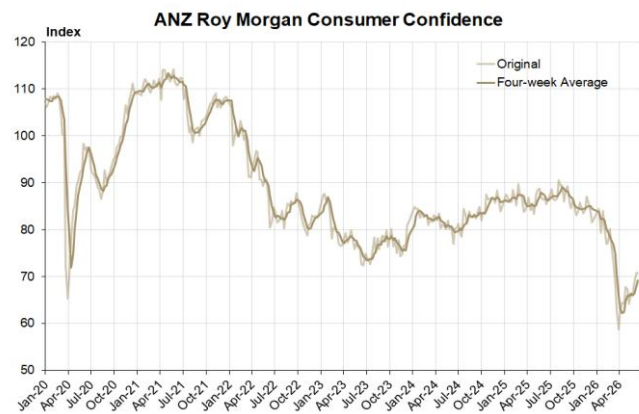
## Domestic Economy

**Petrol prices are now lower than before the Middle East war, while diesel prices are not that far above.**



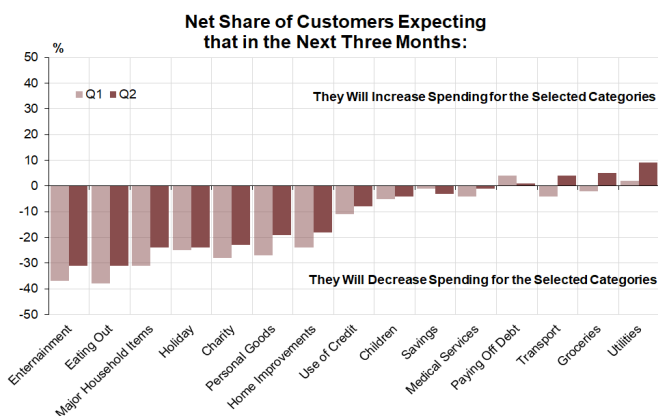
Source: ABC

**Despite the recent improvement, ANZ consumer confidence remains around its COVID-19 lows.**



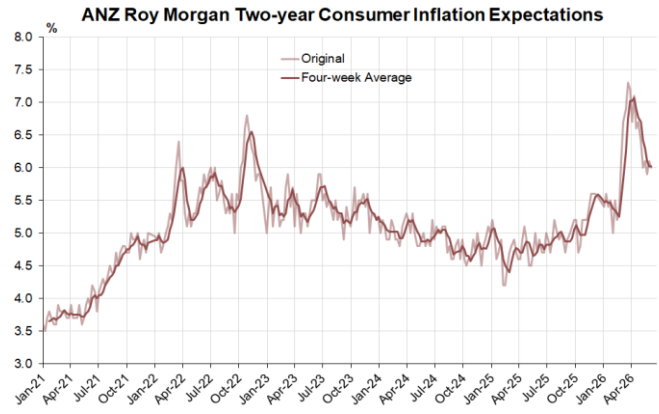
Source: Bloomberg

**Households continue to expect further discretionary spending cuts in the coming months.**



Source: NAB

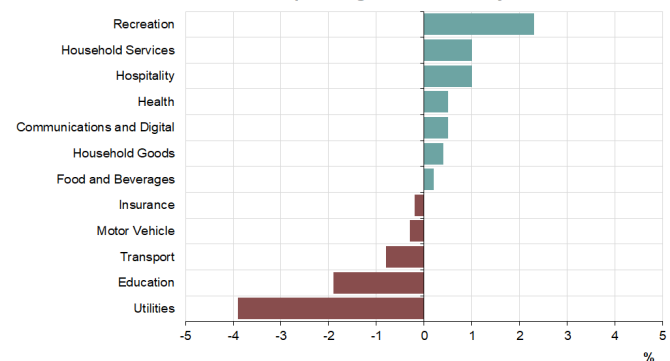
**Consumer inflation expectations fell sharply from an all-time high, but remain elevated.**



Source: ANZ

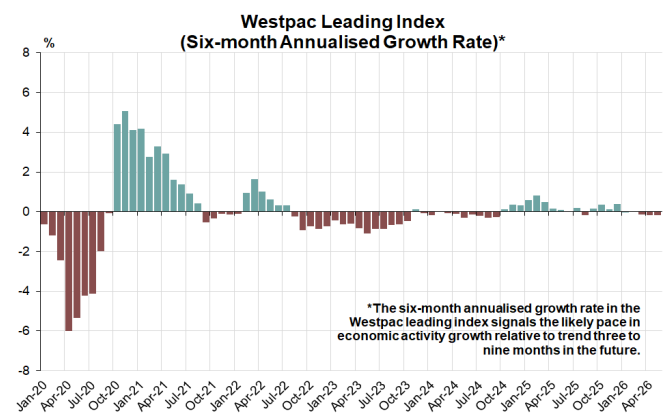
**Lower costs of transport and utilities made some room for more spending for discretionary categories in May.**

Monthly Change in the Seasonally Adjusted Commonwealth Bank Household Spending Indicator in May 2026



Source: Commonwealth Bank

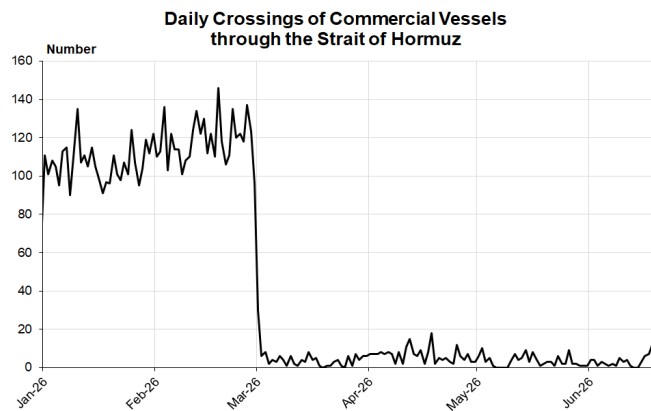
**The Westpac leading index signals economic growth will remain marginally below trend in the coming months.**



Source: NAB

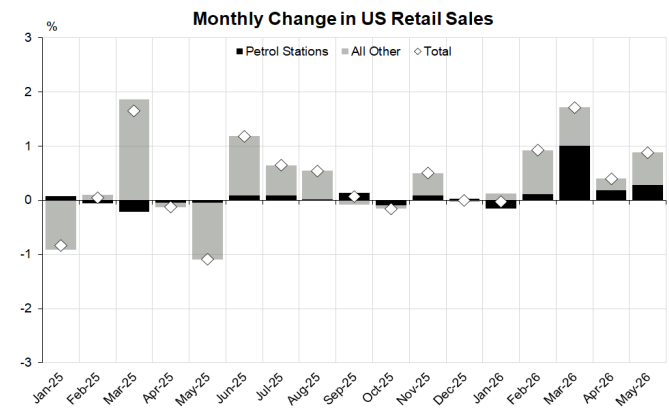
## Global Economy

The number of crossings through the **Strait of Hormuz** has picked up, but remains a fraction of pre-war levels.



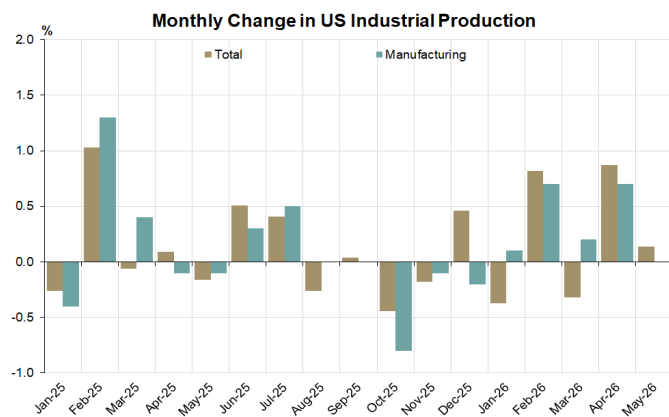
Source: Bloomberg

**US retail sales growth** re-accelerated in May, with a limited role of high fuel prices.



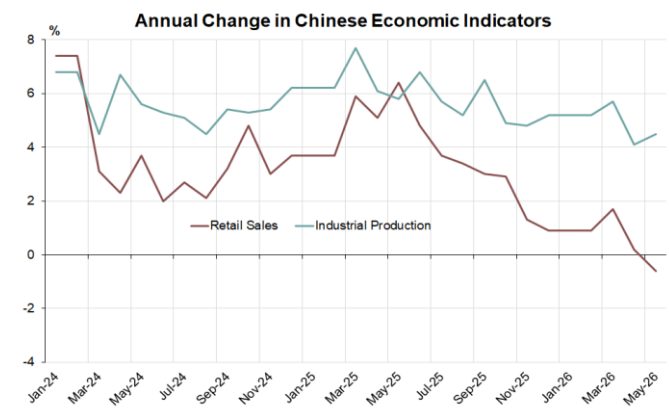
Source: Bloomberg

**US industrial production** stagnated in May, but this followed a solid gain in the previous month.



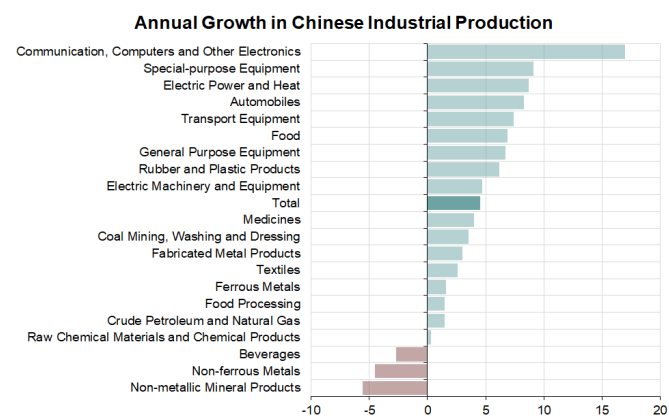
Source: Bloomberg

**In China**, annual retail sales growth turned negative, but industrial production growth accelerated slightly...



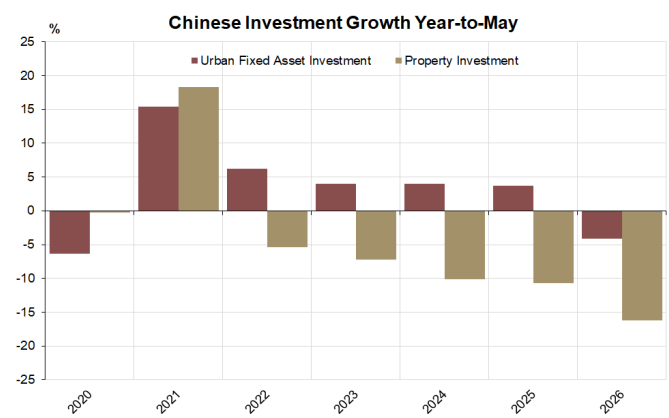
Source: Bloomberg

... supported by solid increases in **production of electronics and automobiles**.



Source: Bloomberg

The decline in **urban investment** is the strongest since 2020, with the fall in property investment accelerating.



Source: Bloomberg

## Last Week

Date	Event	Actual	Forecast	Previous	Comment
<b>Mon 15</b>					
US	Industrial Production (MoM, May)	0.1%	0.3%	0.9%	Manufacturing was flat in May after a solid gain in April.
<b>Tue 16</b>					
AU	RBA MPB Decision (Cash Rate)	4.35%	4.35%	4.35%	RBA is assessing the impacts of previous rate hikes...
AU	RBA Governor M. Bullock Speaks	-	-	-	... but does not completely rule out further tightening.
AU	ANZ Cons. Conf. (w/e 13 May)	70.7	-	70.8	Inflation expectations down 0.1ppts to a still-high 6.0%.
JP	BoJ Decision (Policy Rate)	1.00%	1.00%	0.75%	The highest level of the policy rate since the mid-1990s.
CH	Retail Sales (YoY, May)	-0.6%	-0.2%	0.2%	The strongest decline in three years.
CH	Industrial Production (YoY, May)	4.5%	4.4%	4.1%	Supported by car and electronics manufacturing.
CH	Urban Asset Inv. (YoY YtD, May)	-4.1%	-2.3%	-1.6%	Property investment plunged by 16.2% YoY YtD.
<b>Wed 17</b>					
AU	Westpac Lead. Index (MoM, May)	0.0%	-	0.0%	6m annualised rate points to sub-trend growth ahead.
SE	Riksbank Decision (Policy Rate)	1.75%	1.75%	1.75%	Some market participants expect tightening in 2026.
UK	CPI (MoM, May)	0.2%	0.4%	0.7%	Annual inflation remained at 2.8%, above the 2% goal.
US	Retail Sales (MoM, May)	0.9%	0.6%	0.5%	Core retail sales growth accelerated 0.2ppts to 0.7%.
US	FOMC Decision (IoER)	3.65%	3.65%	3.65%	Half of the FOMC now sees a case for a hike in 2026.
<b>Thu 18</b>					
NZ	GDP (QoQ, Q1)	0.8%	0.8%	0.5%	Annual rate of growth remained at 1.5% in Q1.
NO	Norges Bank Dec. (Policy Rate)	4.25%	4.25%	4.25%	A rate hike expected in September.
UK	BoE Decision (Policy Rate)	3.75%	3.75%	3.75%	Two Monetary Policy Council members wanted a hike.
US	Initial Jobless Claims (w/e 13 May)	226k	225k	230k	Continued claims at a two-month high in w/e 6 June.
<b>Fri 19</b>					
	<i>No market-moving data</i>				

## Next Week

Date	Event	Forecast	Previous	Comment
<b>Mon 22</b>				
CH	PBoC Announcement (5Y LPR)	3.50%	3.50%	One-year loan prime rate also expected to remain at 3.00%.
<b>Tue 23</b>				
AU	S&P Global Composite PMI (Jun, flash)	-	48.7	Plunged back into contraction last month.
JP	S&P Global Composite PMI (Jun, flash)	-	51.1	Japanese manufacturing continues its solid expansion.
EZ	S&P Global Composite PMI (Jun, flash)	-	48.5	Germany and France were both in contraction in May.
UK	S&P Global Composite PMI (Jun, flash)	-	49.7	Flipped into contraction last month.
US	S&P Global Composite PMI (Jun, flash)	-	51.5	US services and manufacturing remained in expansion in May.
<b>Wed 24</b>				
AU	CPI (MoM, May)	-0.4%	0.4%	Annual CPI inflation expected to tick up by 0.1ppts to 4.3%.
<b>Thu 25</b>				
AU	Employment (monthly change, May)	30.0k	-18.6k	April results could have been affected by Easter.
AU	Unemployment Rate (May)	4.4%	4.5%	The unemployment rate picked up in April but remains low.
AU	Household Spending (MoM, May)	0.3%	-1.1%	Reports by commercial banks point to a rebound.
AU	Job Vacancies (QoQ, Q2)	-	2.7%	Monthly reports suggested a decline.
US	Personal Spending (MoM, May)	0.6%	0.5%	Real personal spending saw only a marginal gain in April.
US	PCE Price Index (MoM, May)	0.3%	0.4%	Annual headline and core PCE inflation rates to rise further.
US	Durable Goods Orders (MoM, May)	-4.3%	8.0%	Non-defence ex aircraft orders down by 1.0% in April.
US	GDP (QoQ annualised, Q1, final)	1.7%	1.6%	Re-opening of the US government propped up Q1 growth.
<b>Fri 26</b>				
	<i>No market-moving data</i>			