



10 June 2025

# MORNING REPORT

Today's economic developments and market movements.

## Key themes

Markets were mostly in a holding pattern as US-China trade talks are flagged to still be underway.

Despite the lack of material developments thus far, equities moved higher across both the US and China, while European stocks saw a pull-back in momentum.

G10 currencies generally strengthened against the USD, with the Aussie and Kiwi dollars putting in the best performance given its widely viewed commodity exposure to China.

Treasury yields moved an even leg lower across the curve, partially retracing some of sell-off from late last week.

Crude, metals and gold all gained in anticipation of any progress to come from trade talks.

## Data snapshot

FX Last 24 hrs	Current	Change	AUS Interest Rate Swaps	Last	Change
TWI	60.0	0.2%	30 day BBSY	3.81	0.00
AUD/USD	0.6514	0.4%	90 day BBSY	3.76	0.00
AUD/JPY	94.16	0.2%	180 day BBSY	3.86	0.04
AUD/GBP	0.4809	0.2%	1 year swap	3.36	-0.01
AUD/NZD	1.0772	-0.1%	2 year swap	3.29	-0.01
AUD/EUR	0.5702	0.1%	3 year swap	3.36	-0.01
AUD/CNH	4.6796	0.3%	4 year swap	3.44	-0.01
AUD/SGD	0.8379	0.1%	5 year swap	3.56	-0.01
AUD/HKD	5.1134	0.4%	6 year swap	3.68	-0.01
AUD/CAD	0.8922	0.5%	7 year swap	3.80	-0.01
EUR/USD	1.1425	0.2%	8 year swap	3.91	-0.01
USD/JPY	144.55	-0.2%	9 year swap	4.00	-0.01
USD Index	99.02	-0.2%	10 year swap	4.22	-0.02

  

Equities	Close	Change	Government Bond Yields	Close	Change
S&P/ASX 200	8,516	-0.3%	<b>Australia</b>		
S&P 500	6,006	0.1%	3 year bond	3.36	0.00
Japan Nikkei	38,089	0.9%	10 year bond	4.27	0.00
Hang Seng	24,181	1.6%	<b>United States</b>		
Euro Stoxx 50	5,422	-0.2%	3-month T Bill	4.24	0.00
UK FTSE100	8,832	-0.1%	2 year bond	4.00	-0.03
VIX Index	17.16	2.3%	10 year bond	4.47	-0.03
			<b>Other (10 year yields)</b>		
<b>Commodities</b>	<b>Current</b>	<b>Change</b>	Germany	2.57	-0.01
CRB Index	301.51	0.2%	Japan	1.47	0.01
Gold	3326.29	0.5%	UK	4.63	-0.01
Copper	9793	1.0%			
Oil (WTI futures)	65.37	1.2%	<b>Sydney Futures Exchange</b>	<b>Current</b>	<b>Change</b>
Coal (coking)	177.00	-1.1%	10 yr bond	4.30	-0.02
Coal (thermal)	108.50	0.2%	3 yr bond	3.42	-0.02
Iron Ore	94.10	-0.8%	3 mth bill rate	3.72	0.01
ACCU	35.38	2.9%	SPI 200	8,555	0.0%

Data as at 7:02am AEST. Change is from the previous trading day (excluding the SFE, which is the change during the night session). Source: Bloomberg.

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## Financial Markets

It was a relatively quiet start to the week, both for data and events. Developments around US-China trade talks currently taking place in London were in focus, although with little to report at this stage as talks spill over into a second day, markets were mostly in a holding pattern.

- In the US, equities started the week on positive footing. The S&P 500 posted a modest gain (+0.1%), with gains mostly driven by tech seeing the NASDAQ rise more firmly (+0.3%) while the Dow Jones held flat. In Europe, the wait-and-see sentiment among trade talks translated to a slight pare-back, with the Euro Stoxx 50 (−0.2%), London's FTSE 100 (−0.1%) and Germany's DAX (−0.5%) all declining. The attitude was more positive in Asia, with stocks up across Tokyo (+0.9%), Hong Kong (+1.6%) and Shanghai (+0.3%). Futures markets suggest the ASX 200 might come back from the public holiday on slightly softer footing.
- Treasury yields moved an even leg lower across the curve, only partially unwinding some of Friday's sell-off. The 2Y, 10Y and 30Y all moved 3bps lower overnight, to 4.00%, 4.47% and 4.94% respectively. Swaps markets remain confident on the prospect of one more rate cut from the FOMC by year-end, but still only price in around an 80% chance for a second cut within the same timeframe. Bunds and Gilt yields followed suit, with their 10Y's edging 1bp lower. Markets were closed in Australia, but futures yields largely followed the action overnight, with the 3Y and 10Y falling 2bps each to 3.42% and 4.30% respectively.
- The USD weakened across most major currencies, with the DXY finishing −0.2% lower to 99.02. The anticipation of constructive trade developments saw the Aussie and Kiwi dollar stand out given their widely viewed exposure to China via commodity trade, each currency rising around +0.4% and +0.6% to north of USD0.650 and USD0.604 respectively. Meanwhile, the main DXY pairs all appreciated similarly versus the USD, including the Euro (+0.2%), Japanese Yen (+0.2%) and Sterling (+0.2%). The one currency that bucked the wider trend was the Loonie, weakening against the greenback very slightly at the margin.
- Crude prices continued to rise in anticipation of more encouraging progress on US-China trade talks. The first-generic futures contract for WTI and Brent rose 1.1% and 1.0% to US\$65.29/bbl and US\$67.11/bbl respectively. It was a similar story for metals whose price action has closely followed developments in the trade war, with copper (+1.0%) and aluminium (+1.1%) both rising. Iron ore prices eased back to its May lows, with the July SGX contract falling −0.6%. Gold meanwhile made-up some of the losses from late last week, rising 0.5% to around US\$3326/oz.

## Today's key data and events

For	Data/Event	Exp	Prev
10:30am	AU WBC-MI Consumer Sentiment Jun	-	92.1pts
11:30am	AU NAB Business Conditions May	-	2pts
4:00pm	GB ILO Unemployment Rate Apr	4.6%	4.5%
6:30pm	EZ Sentix Investor Confidence Jun	-5.5pts	-8.1pts
8:00pm	US NFIB Small Business Optimism May	96pts	95.8pts

Times are AEST. All data forecasts are m/m or q/q and seasonally adjusted unless otherwise specified. Forecasts for Australian data are our forecasts and for other countries they are consensus forecasts.

## International Data:

In the US, the May **NY Fed Survey of Consumer Expectations** reported a slight moderation in one-year-ahead inflation expectations, from 3.6% over March and April down to 3.2% in May, still some way above the start of the year and pre-pandemic average. Meanwhile, longer-term measures covering the three-year and five-year horizons also edged lower, down to 3.0%yr and 2.6%yr respectively, the latter being its lowest level in over a year. While near-term inflation expectations remain elevated, the latest move suggests that there is some scope for moderation should the risks around sharp tariff increases continue to abate.

In China, the **trade surplus** widened by more than anticipated, from US\$96.2bn in April to US\$103.2bn in May. The surprise was largely around imports, falling −3.4%yr versus expectations for a more modest −0.8%yr. Meanwhile, at 4.8%yr, growth in exports remains robust although it has slipped below last year's average. Highlighting the impact of trade tensions thus far, goods outflows to the US are 34% lower over the year to May, although this is being met with an increase in exports to Europe and the rest of Asia.

China's **CPI** remained unchanged at −0.1%yr in May. This continues to echo a relative weakness in consumer demand, with price growth having oscillated between barely positive inflation to outright deflation over much of the past couple of years. That said, core inflation (excluding food and energy) was a touch firmer at 0.6%yr, reflecting a rise in tourism-related prices. Meanwhile, the **PPI** continues to track a deeply negative −3.3%yr pace, suggesting any sustained improvement in price momentum is unlikely near-term.



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