



16 June 2025

# MORNING REPORT

Today's economic developments and market movements.

## Key themes

Israel launched a series of strikes on Iran's military and nuclear infrastructure on Friday, and as both countries continued exchange blows over the weekend, prospects for de-escalation remain very uncertain.

Crude oil prices surged following the news, seeing WTI finish at four-month highs and Brent recover to pre 'Liberation Day' levels.

Treasury yields rose against the backdrop of higher oil prices, reflecting a concern over inflation that ultimately trumped safe-haven demand.

Equities sold off across the globe and the USD appreciated against most G10 currencies, with the Aussie and Kiwi dollars being hardest hit.

The conflict will provide a tense backdrop against what will be a big week for central bank decisions for the FOMC, Bank of England and Bank of Japan.

## Data snapshot

FX Last 24 hrs	Current	Change
TDI	59.8	-0.2%
AUD/USD	0.6483	-0.7%
AUD/JPY	93.37	-0.3%
AUD/GBP	0.4782	-0.4%
AUD/NZD	1.0785	0.2%
AUD/EUR	0.5623	-0.3%
AUD/CNH	4.6593	-0.6%
AUD/SGD	0.8311	-0.4%
AUD/HKD	5.0896	-0.7%
AUD/CAD	0.8808	-0.8%
EUR/USD	1.1529	-0.3%
USD/JPY	144.03	0.4%
USD Index	98.18	0.3%

Equities	Close	Change
S&P/ASX 200	8,547	-0.2%
S&P 500	5,977	-1.1%
Japan Nikkei	37,834	-0.9%
Hang Seng	23,893	-0.6%
Euro Stoxx 50	5,290	-1.3%
UK FTSE100	8,851	-0.4%
VIX Index	20.82	15.5%

Commodities	Current	Change
CRB Index	309.90	0.0%
Gold	3432.34	1.4%
Copper	9645	-0.6%
Oil (WTI futures)	72.98	7.3%
Coal (coking)	177.00	0.9%
Coal (thermal)	110.75	1.0%
Iron Ore	94.00	-0.4%
ACCU	35.38	2.9%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	3.80	0.00
90 day BBSY	3.77	-0.01
180 day BBSY	3.93	0.00
1 year swap	3.33	0.00
2 year swap	3.24	0.02
3 year swap	3.30	0.05
4 year swap	3.39	0.05
5 year swap	3.50	0.05
6 year swap	3.63	0.06
7 year swap	3.74	0.06
8 year swap	3.85	0.06
9 year swap	3.94	0.07
10 year swap	4.17	0.08

Government Bond Yields	Close	Change
<b>Australia</b>		
3 year bond	3.29	-0.06
10 year bond	4.15	-0.08
<b>United States</b>		
3-month T Bill	4.25	-0.02
2 year bond	3.95	0.04
10 year bond	4.40	0.04
<b>Other (10 year yields)</b>		
Germany	2.54	0.06
Japan	1.41	-0.04
UK	4.55	0.07

Sydney Futures Exchange	Current	Change
10 yr bond	4.22	0.08
3 yr bond	3.34	0.03
3 mth bill rate	3.61	0.00
SPI 200	8,532	-0.2%

Data as at 7:00am 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

Markets were served with another geopolitical shock on Friday after Israel launched a series of strikes on Iran's military and nuclear infrastructure. Iran retaliated with strikes of their own, and as both countries continued to exchange blows over the weekend, prospects for de-escalation remain very uncertain. The flare-up of tensions will no doubt be a cornerstone of discussion among world leaders at the current 51st G7 Summit in Canada.

The conflict will also provide a tense backdrop against what will be a big week for central bank decisions. While the FOMC, Bank of England and Bank of Japan are all expected to keep policy unchanged, markets will be closely inspecting any guidance provided by policymakers.

- Investors moved quickly to sell-off risky assets following the news, leaving share markets in the red across the globe on Friday. In the US, the Dow Jones led the fall (–1.8%), while the NASDAQ (–1.3%) and S&P 500 (–1.1%) were not far behind. The Euro Stoxx 50 shed –1.3%, rounding off a full week of declines as the region grapples with uncertainty over trade negotiations. London's FTSE 100 posted a milder decline (–0.4%) and managed to finish the week barely in the green. The same can be said for Tokyo and Hong Kong, although larger drops on Friday (–0.9% and –0.6%) were only partial offsets to an otherwise positive week. The ASX 200 fell –0.2%.
- Treasury yields moved higher amid a surge in oil prices (below), reflecting a concern over inflation that ultimately trumped safe-haven demand for treasuries, supported further by an encouraging read on consumer sentiment. The 2Y and 10Y yields finished the session 4bps higher at 3.95% and 4.40% respectively. Markets remain almost fully convinced that the FOMC will not touch the fed funds rate at this week's meeting, while still pricing in around two further rate cuts by year-end. Australian government bonds yields (futures) moved sharply higher, with the 3Y and 10Y rising 3bps and 8bps to 3.34% and 4.22% respectively.
- The USD gained amid the flight-to-safety, though intraday moves were well within trading ranges seen in the days immediately prior. The DXY lifted to just under 98.6 intraday and ultimately finished 0.3% higher at 98.18. Most G10 currencies depreciated against the USD, largely within the 0.3–0.4% range, including the Euro (–0.3%), the Japanese Yen (–0.4%), the Sterling (–0.3%). The offer for the recent haven of the Swiss Franc was not as firm, having fell just –0.1% against the greenback. 'Riskier' G10 currencies, including the Aussie and Kiwi dollars, meanwhile posted larger declines, down –0.7% and –0.9%.

## Today's key data and events

For	Data/Event	Exp	Prev
8:30am	NZ BusinessNZ PSI May	-	48.5pts
9:01am	GB Rightmove House Prices Jun	-	0.6%
12:00pm	CN Retail Sales YoY YTD May	4.8%	4.7%
12:00pm	CN Industrial Production YoY YTD May	6.4%	6.4%
12:00pm	CN Fixed Asset Investment YoY YTD May	4.0%	4.0%
10:30pm	US Fed Empire State Jun	-6.3pts	-9.2pts

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.

- Oil prices surged following the news of Israel's strikes, initially jumping 8–9 cents higher during Asian trading and holding onto most of its gains through European/American trading. WTI ultimately finished 7.3% higher at US\$72.98/bbl, the highest in around four months, while Brent finished 7.0% higher at US\$74.23/bbl, just below pre 'Liberation Day' levels. In a flight-to-safety, gold rallied 1.4% to around US\$3432/oz, the highest since late-April. Base metals broadly sold off, both copper and aluminium closing –0.6% lower.

## International Data:

In the US, June's **University of Michigan Consumer Sentiment** survey rebounded strongly, with the headline index rising 8.3pts to 60.5. This was mostly led by expectations (+10pts) but there was also a solid gain in current conditions too (+5ps), although both remain below their five-year averages. The closely watched one-year inflation gauge, having fallen from 6.6% to 5.1%, implies that fears over the scale and implications of US tariffs were a key driver.

In the Euro Area, the **trade surplus** narrowed sharply from EUR28.8bn in March to EUR14.0bn in April, driven by a sharp turnaround in exports (–8.2%) as the impetus from tariff front-running faded. Meanwhile, **industrial production** posted a –2.4% decline in April, offsetting a similarly sized gain from March.

## Domestic Data:

There were no major releases on Friday, though Westpac published its [June Market Outlook](#) which covers the latest developments and our latest views on the domestic and global economy. [Chief Economist Luci Ellis](#) also discussed the recent update to our forecast RBA cash rate profile.



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