



17 June 2025

MORNING REPORT

Today's economic developments and market movements.

Key themes

Market sentiment improved amid reports that Tehran is seeking to reopen negotiations with the US. Nevertheless, Israel appears resolute in its efforts to continue military actions.

This issue is expected to be a major focus at the G7 summit, where reports indicate President Trump has diverged from other world leaders by refusing to call for a de-escalation of the conflict.

The S&P500 index was up 0.9% and other major equity benchmark indices also traded in the green. Despite the improvement in risk sentiment, US Treasuries continued to sell off.

The DXY index ended the day little changed a touch above the 98 level. AUD and NZD were the top performing currencies in the G10 basket, gaining 0.6% and 0.7% respectively.

Data snapshot

FX Last 24 hrs	Current	Change	AUS Interest Rate Swaps	Last	Change
TWI	59.9	0.2%	30 day BBSY	3.79	-0.01
AUD/USD	0.6525	0.6%	90 day BBSY	3.76	0.00
AUD/JPY	94.44	1.0%	180 day BBSY	3.91	-0.02
AUD/GBP	0.4807	0.5%	1 year swap	3.33	0.00
AUD/NZD	1.0767	-0.2%	2 year swap	3.24	-0.01
AUD/EUR	0.5643	0.4%	3 year swap	3.29	-0.01
AUD/CNH	4.6866	0.5%	4 year swap	3.37	-0.02
AUD/SGD	0.8351	0.3%	5 year swap	3.48	-0.02
AUD/HKD	5.1214	0.6%	6 year swap	3.60	-0.03
AUD/CAD	0.8854	0.5%	7 year swap	3.71	-0.03
EUR/USD	1.1561	0.1%	8 year swap	3.82	-0.03
USD/JPY	144.75	0.5%	9 year swap	3.91	-0.03
USD Index	98.14	0.0%	10 year swap	4.16	-0.01
Equities	Close	Change	Government Bond Yields	Close	Change
S&P/ASX 200	8,548	0.0%	Australia		
S&P 500	6,033	0.9%	3 year bond	3.35	0.05
Japan Nikkei	38,311	1.3%	10 year bond	4.23	0.08
Hang Seng	24,061	0.7%	United States		
Euro Stoxx 50	5,340	0.9%	3-month T Bill	4.25	0.00
UK FTSE100	8,875	0.3%	2 year bond	3.97	0.02
VIX Index	19.11	-8.2%	10 year bond	4.45	0.05
Commodities	Current	Change	Other (10 year yields)		
CRB Index	310.17	0.1%	Germany	2.53	-0.01
Gold	3385.23	-1.4%	Japan	1.44	0.03
Copper	9703	0.6%	UK	4.53	-0.02
Oil (WTI futures)	71.44	-2.1%	Sydney Futures Exchange	Current	Change
Coal (coking)	173.00	-2.3%	10 yr bond	4.28	0.02
Coal (thermal)	109.50	0.5%	3 yr bond	3.36	0.01
Iron Ore	93.50	-0.1%	3 mth bill rate	3.62	0.02
ACCU	35.38	2.9%	SPI 200	8,567	0.1%

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

Despite ongoing hostilities between Israel and Iran, markets stabilized overnight. Oil prices declined and equities rallied amid reports that Tehran is seeking to reopen negotiations with the US. Israel appears resolute in its efforts to continue military actions until it achieves its objective of halting Iran's nuclear program. This issue is expected to be a major focus at the G7 summit, where reports indicate President Trump has diverged from other world leaders by refusing to call for a de-escalation of the conflict. On the economic front, yesterday's Chinese data presented a mixed picture: industrial production and housing market indicators were weaker, whereas a rise in retail sales growth, supported by government measures, suggested that household consumption could mitigate some adverse effects of US import tariffs.

- The US equity market regained its momentum, as investors speculated that the Israel-Iran conflict will not have a major economic impact beyond the Middle East. The S&P500 index was up 0.9%, almost completely reversing Friday's 1.1% drop. Other major equity benchmark indices also traded in the green. The Euro Stoxx 50 rallied 0.9%, supported by strong returns in the travel, banks, and telecoms sectors. Asian equities were also higher due to the stronger Chinese consumer spending data and expectations that the Chinese authorities are likely to provide more support to the economy.
- Despite the improvement in risk sentiment, US Treasuries continued to sell off. Yields were higher across the curve, with losses concentrated at the long end, where the 10Y yield rose 5bp to 4.45%. In contrast, Bunds and Gilts in Europe rallied, but JGBs sold off ahead of today's BoJ policy announcement. Australian yields were also higher, with the 10Y up 8bp to 4.23%, broadly the same level seen before Friday's rally.
- In FX markets, the DXY index recovered from an intraday drop close to 0.5%, ending the day little changed a touch above the 98 level. EUR and GBP were a touch stronger, but Yen weakened 0.5%. AUD and NZD were the top performing currencies in the G10 basket, gaining 0.6% and 0.7% respectively.
- News that Iran is looking to resume the negotiations with the US helped to calm the crude market. The July WTI contract was down 2.1% to \$71.4, a level still about \$10 higher compared to the beginning of the month. Gold also retreated 1.4% to \$3385, matching the level seen last Thursday. Copper increased slightly, but iron ore was little changed.

Today's key data and events

For	Data/Event	Exp	Prev
-	JP BoJ Policy Decision	0.5%	0.5%
8:45am	NZ Food Price Index May	-	0.8%
7:00pm	EZ Zew Survey Of Expectations Jun	-	11.6pts
10:30pm	US Retail Sales May	-0.6%	0.1%
10:30pm	US Import Price Index May	-0.2%	0.1%
12:00am	US Business Inventories Apr	0.0%	0.1%
12:00am	US NAHB Housing Market Jun	36pts	34pts

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:

The **New York Fed Empire State Manufacturing Survey** showed the business conditions in the US continued to decline this month. The headline survey indicator was down 7pts to -16, to leave the Q2 average at -11.1 the lowest level in four quarters. Among more positive news, the survey indicated that employment increased slightly for the first time since the beginning of the year, and firms turned more optimistic about the future, with expectations indicator rising to 21.1, similar to the levels seen in Q1.

The latest monthly economic activity indicators released in China presented a nuanced picture of how the world's second-largest economy fared in May following the US tariff shock. Most notably, **retail sales** growth accelerated unexpectedly from 5.1%yr to 6.4%yr, marking the highest level in over a year. Sales of household appliances surged by more than 50%yr, boosted by the government's trade-in programme. Other categories, including catering services, clothing, and recreational goods, also showed notable improvements. In contrast, **industrial production** growth fell short of expectations, with the annual rate declining from 6.1%yr to 5.8%yr, reflecting impact from the heightened US tariffs. However, year-to-date growth remained robust at 6.3%yr, surpassing the 5.8% increase recorded in 2024. **Fixed asset investment** growth followed a similar trajectory; while it eased to 3.7%yr, down by 0.3ppt from April, it still exceeded the levels observed in the latter half of last year. **Real estate investment** remained the main source of weakness continuing to decline at a double-digit pace. **House prices** offered no signs of recovery either, extending the downward trend that has persisted for approximately two years.



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