



18 June 2025

# MORNING REPORT

Today's economic developments and market movements.

## Key themes

Markets reverted to a risk-off mode amid indications that President Trump may consider offering direct military assistance to Israel. Trump has called for Iran's surrender and suggested a potential strike against the country's leadership.

Most major equity markets traded in the red, and the risk aversion drove gains at the long end of the US Treasury curve.

The DXY index appreciated by 0.8%, indicating that the USD maintains its safe-haven appeal to investors during periods of heightened uncertainty.

All eyes today are on the Fed. It is widely expected to keep the federal funds rate unchanged. The updated forecasts will provide fresh insights into how the central bank sees the economy is responding to higher import tariffs.

## Data snapshot

FX Last 24 hrs	Current	Change
TWI	60.3	0.7%
AUD/USD	0.6475	-0.8%
AUD/JPY	94.08	-0.4%
AUD/GBP	0.4821	0.3%
AUD/NZD	1.0767	0.0%
AUD/EUR	0.5640	-0.1%
AUD/CNH	4.6576	-0.6%
AUD/SGD	0.8330	-0.3%
AUD/HKD	5.0825	-0.7%
AUD/CAD	0.8856	0.0%
EUR/USD	1.1480	-0.7%
USD/JPY	145.28	0.4%
USD Index	98.80	0.8%

Equities	Close	Change
S&P/ASX 200	8,541	-0.1%
S&P 500	5,983	-0.8%
Japan Nikkei	38,537	0.6%
Hang Seng	23,980	-0.3%
Euro Stoxx 50	5,289	-1.0%
UK FTSE100	8,834	-0.5%
VIX Index	21.6	13.0%

Commodities	Current	Change
CRB Index	314.01	1.2%
Gold	3387.83	0.1%
Copper	9669	-0.4%
Oil (WTI futures)	75.21	4.8%
Coal (coking)	173.25	0.1%
Coal (thermal)	106.40	0.4%
Iron Ore	92.35	-1.4%
ACCU	35.38	2.9%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	3.77	-0.01
90 day BBSY	3.76	0.00
180 day BBSY	3.91	0.00
1 year swap	3.33	0.01
2 year swap	3.24	0.00
3 year swap	3.29	0.01
4 year swap	3.38	0.01
5 year swap	3.49	0.01
6 year swap	3.61	0.01
7 year swap	3.73	0.01
8 year swap	3.83	0.01
9 year swap	3.92	0.01
10 year swap	4.14	-0.02

Government Bond Yields	Close	Change
<b>Australia</b>		
3 year bond	3.37	0.03
10 year bond	4.26	0.02
<b>United States</b>		
3-month T Bill	4.20	0.00
2 year bond	3.95	-0.01
10 year bond	4.39	-0.06

<b>Other (10 year yields)</b>		
Germany	2.54	0.01
Japan	1.47	0.03
UK	4.55	0.02

Sydney Futures Exchange	Current	Change
10 yr bond	4.27	-0.03
3 yr bond	3.36	-0.02
3 mth bill rate	3.62	0.02
SPI 200	8,527	-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

The ongoing conflict in the Middle East continues to draw attention, with markets reverting to a risk-off mode amid indications that President Trump may consider offering direct military assistance to Israel. President Trump has called for Iran's surrender and suggested a potential strike against the country's leadership. On the economic data front, US retail sales and industrial production figures pointed to slow underlying growth momentum. Markets are closely following the central bank policy announcements – following yesterday's BoJ decision to keep the policy rate unchanged and cut the pace of reduction in the government bond purchases from next fiscal year, all eyes today are on the Fed. Although it is widely expected to keep the federal funds rate unchanged, the updated forecasts will provide fresh insights into how the central bank sees the economy is responding to higher import tariffs.

- Most major equity markets traded in the red, as investors scaled their risk exposures. The S&P500 index remained volatile losing 0.8% after a 0.9% gain in the prior session. The Euro Stoxx 50 was down 1%, despite strong performance of the energy stocks supported by higher oil prices. Asian stocks were also lower, but Japan was an exception, with the Nikkei225 gaining 0.6%.
- The risk aversion drove significant gains at the long end of the US Treasury curve. The 10Y yield fell 6bp to 4.39%. With oil price increases bringing concerns about possible inflationary effects globally, other major government bonds traded more cautiously. Australian yields were 1-3bp higher. Despite the improvement in the euro area economic sentiment, Bund yields went up too. Similarly, JGBs also saw yields rising, by 3bp at the 10Y, despite the BoJ decision to ease the pace of reduction in bond purchases.
- In foreign exchange markets, the DXY index appreciated by 0.8%, indicating that the USD maintains its safe-haven appeal to investors during periods of heightened uncertainty, especially when it originates from outside the US. EUR and GBP lost 0.7% and 1.1% respectively, while AUD recorded a similar change of 0.8%. Japanese Yen held up better, depreciating 0.4%.
- Concerns about the US potentially getting involved into the conflict in the Middle East more saw oil prices jumping higher again. The July WTI contract rose almost 5% to \$75.2, which represents an increase of more than \$10 in seven days. Gold prices were broadly stable, but copper and iron ore were lower.

## International Data:

The **Bank of Japan** kept its policy rate unchanged at 0.50%, in line with expectations. In addition, the central bank announced

## Today's key data and events

For	Data/Event	Exp	Prev
7:00am	NZ Westpac-MM Consumer Confidence Q2	-	89.2pts
8:45am	NZ Current Account Balance Q1	-NZ\$2.2b	-NZ\$7b
9:50am	JP Machinery Orders Apr	-9.5%	13.0%
10:30am	AU Westpac-MI Leading Index May	-	0.0%
4:00pm	GB CPI May	0.2%	1.2%
10:30pm	US Housing Starts May	-0.8%	1.6%
10:30pm	US Building Permits May Prel.	0.2%	-4.0%
10:30pm	US Initial Jobless Claims	245k	248k
4:00am	US FOMC Policy Decision	4.50%	4.50%

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.

a slowdown in the reduction of monthly bond purchases, adjusting the pace from ¥400bn to ¥200bn per quarter. This measure aims to stabilize the JGB market, which has recently experienced heightened volatility and notable increases in long-term yields. The updated tapering schedule will commence from next fiscal year starting in April 2026. The BoJ remains committed to reducing its exposure to the government bond market after years of stimulus through which the central bank became the owner of around a half of the JGB market.

**US retail sales** figures for May disappointed, declining for a second consecutive month, by 0.9%<sub>mth</sub>, the steepest in more than two years. Most of the weakness was accounted for by a drop in car sales. Excluding autos, sales were down 0.3%<sub>mth</sub>, and the control group, which feed into the GDP calculations, eased 0.2%<sub>mth</sub>, which was the worst result for this series in almost a year.

**US industrial production** growth fell to -0.2%<sub>mth</sub> in May, below market consensus of a flat reading. The transportation equipment manufacturing was a bright spot in the report, up 3.5%<sub>mth</sub>, as car producers likely raised production levels while many major tariffs are on hold. It helped to keep manufacturing output growth in the positive territory, at 0.1%<sub>mth</sub>. The April-May averages suggest that industrial production growth so far in Q2 remains positive, at 0.1%, but is well below the 1.1%<sub>qtr</sub> increase seen in Q1.

The **ZEW Confidence Survey** of financial market experts showed that sentiment in the euro area continued to recover in June from its trough seen in April. The headline euro area economic expectations index increased by almost 24 points to 35.3, double the average level so far in 2025, with the ECB interest rate cuts and expectations of more support from fiscal policy driving the improvement. The current conditions index also improved, by almost 12 points, to -30.7, the highest level in two years.

## Local Data:

In New Zealand, stats NZ's monthly prices data provided updates on over 45% of the CPI, including several of the more volatile items ([see here](#)).



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