



20 June 2025

MORNING REPORT

Today's economic developments and market movements.

Key themes

Potential US involvement in the Israel-Iran conflict risk sentiment sour. Investors sold the USD while oil and gold price rose in usual risk-off fashion. There was little reaction from US markets as they were closed for the Juneteenth holiday.

The Bank of England kept rates steady in a 6-3 vote though Deputy Governor Ramsden's dissent was a surprise to markets. Despite a weak initial reaction, the GBP quickly bounced back and finished stronger at the end of the session.

Equities closed weaker across the board owing mostly to the uncertainty around geopolitical tensions.

A successful 5Y auction alongside reports of reduced issuance at the ultra-long end saw Japanese yields fall.

Th DXY fell while the euro and pound gained ground providing investors with an alternate safe haven.

Data snapshot

FX Last 24 hrs	Current	Change	AUS Interest Rate Swaps	Last	Change
TWI	59.9	-0.3%	30 day BBSY	3.78	0.00
AUD/USD	0.6477	-0.4%	90 day BBSY	3.74	-0.01
AUD/JPY	94.17	-0.2%	180 day BBSY	3.90	0.00
AUD/GBP	0.4810	-0.8%	1 year swap	3.34	0.00
AUD/NZD	1.0817	0.2%	2 year swap	3.24	-0.01
AUD/EUR	0.5634	-0.5%	3 year swap	3.29	-0.02
AUD/CNH	4.6539	-0.5%	4 year swap	3.37	0.00
AUD/SGD	0.8331	-0.3%	5 year swap	3.48	0.00
AUD/HKD	5.0836	-0.4%	6 year swap	3.60	-0.01
AUD/CAD	0.8875	-0.4%	7 year swap	3.71	0.00
EUR/USD	1.1496	0.1%	8 year swap	3.81	0.00
USD/JPY	145.42	0.2%	9 year swap	3.90	-0.01
USD Index	98.79	-0.1%	10 year swap	4.13	-0.03

Equities	Close	Change	Government Bond Yields	Close	Change
S&P/ASX 200	8,524	-0.1%	Australia		
S&P 500	5,981	0.0%	3 year bond	3.35	-0.01
Japan Nikkei	38,488	-1.0%	10 year bond	4.22	-0.04
Hang Seng	23,238	-2.0%	United States		
Euro Stoxx 50	5,197	-1.3%	3-month T Bill	4.22	-0.01
UK FTSE100	8,792	-0.6%	2 year bond	3.94	0.00
VIX Index	22.17	10.1%	10 year bond	4.39	0.00
			Other (10 year yields)		
Commodities	Current	Change	Germany	2.52	0.03
CRB Index	314.40	0.1%	Japan	1.42	-0.04
Gold	3370.90	0.1%	UK	4.53	0.04
Copper	9615	-0.4%			
Oil (WTI futures)	75.14	0.4%	Sydney Futures Exchange	Current	Change
Coal (coking)	173.50	-1.1%	10 yr bond	4.26	0.00
Coal (thermal)	115.20	0.4%	3 yr bond	3.37	0.01
Iron Ore	93.00	0.3%	3 mth bill rate	3.61	-0.01
ACCU	35.38	2.9%	SPI 200	8,496	-0.3%

Data as at 7:45am 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 White House announced that President Trump will decide within the next two weeks whether to support Israel in the ongoing conflict, introducing another layer of geopolitical uncertainty. Further dissent among Bank of England committee members also weighed on sentiment, contributing to broad-based market volatility. The VIX rose 10%, hitting its highest level in nearly a month.

- Equities closed weaker across most regions. In the UK, the FTSE 100 declined 0.6%, pressured by a lower open, dovish BoE commentary, and rising geopolitical risk. European markets were notably weaker, with the EuroStoxx 50 down 1.3%, falling steadily throughout the session before accelerating losses after the White House announcement. The German DAX also lost 1.1%. In Asia, the Japanese Nikkei fell 1.0%, with most losses occurring at the open. The Hang Seng fell 2.0%, and the CSI 300 declined 0.8%. Australia's ASX 200 slipped 0.1%; futures point to a softer open.
- Rates markets were subdued, with US markets closed for Juneteenth. In Germany, the 2Y Bund yield was unchanged at 1.84%, while the 10Y rose 2bps. The UK Gilt curve bear-steepened, with the 2Y yield up 2bps and the 10Y up 4bps. Swaps markets are now fully pricing in a September BoE rate cut. In Japan, the 10Y JGB yield fell 4bps following a well-received 5Y auction. Bloomberg also reported that the Ministry of Finance may reduce ultra-long bond issuance starting in July, responding to increased investor demand at the shorter end. In Australia, weaker-than-expected labour market data led to a dovish shift in RBA rate expectations. The 3Y swap rate fell 2bps, and a previously priced-in September cut has now been pushed out to November.
- FX markets saw the US dollar weaken modestly. The DXY fell 0.1% to 98.79, retracing gains from the previous session. Most major currencies appreciated against the greenback. GBP/USD rose to 1.3467—initial weakness following the BoE news reversed as geopolitical headlines dominated FX moves. The Japanese yen depreciated against the USD to 145.42, weighed down by news offshore but also domestic political headlines after Prime Minister Ishiba said he would review tariffs. The AUD/USD fell through much of the prior session but rebounded early this morning, last trading at 0.6477.
- Commodities were supported by geopolitical risk. WTI crude (July contract) rose 0.4% to US\$75.14/bbl on concerns over potential US involvement in the Israel–Iran conflict and the risk of a renewed supply shock. Gold also rising 0.1% to US\$3370.9/oz. With US markets reopening today, further reaction across commodity and risk assets is likely.

International Data:

As expected, the Bank of England's Monetary Policy Committee kept Bank Rate unchanged at 4.25%. The decision was supported by six committee members, while three members voted for a 25bp cut.

Today's key data and events

For	Data/Event	Exp	Prev
9:01am	GB Gfk Consumer Sentiment Jun	-20pts	-20pts
9:30am	JP CPI May	3.5%	3.6%
4:00pm	GB Public Sector Borrowing May	£18b	£20.2b
4:00pm	GB Retail Sales May	-0.5%	1.2%
6:00pm	EZ M3 Money Supply May	4.0%	3.9%
10:30pm	US Philly Fed Jun	-1.5pts	-4pts
12:00am	EZ Consumer Confidence Jun Prel.	-14.8pts	-15.2pts
12:00am	US Leading Index May	-0.1pts	-1pts

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.

The minutes revealed that the majority of the committee members believed there was no strong case for a further monetary policy easing at this meeting owing to the recent pickup in inflation, which is expected to remain elevated in the second half of the year. Meanwhile, those in favour of lowering Bank Rate emphasised further loosening in the labour market conditions. In fact, the whole committee acknowledged that together with weak underlying GDP growth, the labour market is pointing to a margin of slack opening up over time. While pay growth is moderating as a result, the committee is not confident this is feeding into inflation.

The MPC continued to assess that risks to inflation remain two-sided, particularly in light of the recent increase in energy prices, and "heightened unpredictability in the economic and geopolitical environment". The MPC's forward guidance was left unchanged, continuing to emphasise "a gradual and careful approach to the further withdrawal of monetary policy restraint". To date, this approach has been consistent with monetary policy easing at a pace of 25bp per quarter, and we believe it is set to be maintained in the second half of this year. We anticipate that moderating pay growth will support a further 25bp cut in the next committee's meeting in August.

US Markets were closed for the Juneteenth holiday.

Domestic Data:

Labour Force Statistics showed employment held broadly flat in May, falling by just -2.5k. This was below Westpac's forecast (+15k) and the market consensus (+20k) but within the range of expected outcomes. In context, this decline comes off the back of a surge in April (+87.6k), so some degree of payback was to be expected. Looking through the exceptionally volatile reads over recent months, employment growth – once smoothed on a three-month average basis – clearly remains steady and robust, the current pace of 2.3%yr matching what was observed at the end of last year.

The unemployment rate remained at 4.1% while the participation rate ticked down by 0.1ppt to 67.0%.



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