



23 June 2025

# MORNING REPORT

Today's economic developments and market movements.

## Key themes

Markets finished last week pondering the risks around geopolitical developments and trade negotiations, seeing US equities ease, treasury yields fall, and the US dollar depreciate.

Over the weekend, the US launched a direct attack on Iran's nuclear facilities, just after President Trump telegraphed on Friday that such a decision would come "within the next two weeks".

In early Sydney trading this morning, a strong bid for the USD has emerged.

Over the coming days, markets will remain sensitive to the news flow as they assess if, or the extent to which, the US will continue to engage directly in the region.

The immediate reaction is set to be oil-positive, particularly as traders gauge the risks of disruptions of oil shipments through the Strait of Hormuz.

## Data snapshot

FX Last 24 hrs	Current	Change	AUS Interest Rate Swaps	Last	Change
TWI	60.1	0.3%	30 day BBSY	3.76	-0.01
AUD/USD	0.6430	-0.5%	90 day BBSY	3.74	0.00
AUD/JPY	94.34	-0.1%	180 day BBSY	3.90	0.00
AUD/GBP	0.4798	-0.3%	1 year swap	3.31	-0.03
AUD/NZD	1.0810	0.0%	2 year swap	3.21	-0.03
AUD/EUR	0.5612	-0.7%	3 year swap	3.26	-0.03
AUD/CNH	4.6231	-0.6%	4 year swap	3.36	-0.01
AUD/SGD	0.8291	-0.5%	5 year swap	3.47	-0.01
AUD/HKD	5.0477	-0.5%	6 year swap	3.58	-0.01
AUD/CAD	0.8843	-0.2%	7 year swap	3.70	-0.01
EUR/USD	1.1460	0.2%	8 year swap	3.80	-0.01
USD/JPY	146.73	0.4%	9 year swap	3.89	-0.01
USD Index	98.71	-0.2%	10 year swap	4.10	-0.02
Equities	Close	Change	Government Bond Yields	Close	Change
S&P/ASX 200	8,505	-0.2%	<b>Australia</b>		
S&P 500	5,968	-0.2%	3 year bond	3.32	-0.03
Japan Nikkei	38,403	-0.2%	10 year bond	4.18	-0.03
Hang Seng	23,530	1.3%	<b>United States</b>		
Euro Stoxx 50	5,234	0.7%	3-month T Bill	4.20	-0.03
UK FTSE100	8,775	-0.2%	2 year bond	3.91	-0.03
VIX Index	20.62	-7.0%	10 year bond	4.38	-0.02
Commodities	Current	Change	<b>Other (10 year yields)</b>		
CRB Index	312.53	-0.6%	Germany	2.52	-0.01
Gold	3368.39	-0.1%	Japan	1.40	-0.02
Copper	9634	0.2%	UK	4.54	0.01
Oil (WTI futures)	73.84	0.5%	<b>Sydney Futures Exchange</b>	<b>Current</b>	<b>Change</b>
Coal (coking)	173.00	-0.3%	10 yr bond	4.23	0.02
Coal (thermal)	112.25	0.0%	3 yr bond	3.33	0.00
Iron Ore	93.70	0.9%	3 mth bill rate	3.61	0.02
ACCU	35.38	2.9%	SPI 200	8,469	-0.2%

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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**Ryan Wells**  
Economist, Westpac Group  
P: +61 401 423 628  
E: ryan.wells@westpac.com.au

## Financial Markets

It was a mixed finish to the week, as an air of uncertainty around recent geopolitical developments and trade negotiations saw US equities, treasuries and the DXY all fall. Over the weekend however, the US launched a direct attack on Iran by bombing three of its primary nuclear facilities. This comes just after President Trump stated on Friday that such a decision would come "within the next two weeks". Over the coming days, markets will remain sensitive to the news flow as the risks around whether the US will continue to engage directly in the region are assessed.

- In the US, a sell-off in chipmakers did little favours against the backdrop of uncertainty around trade and geopolitics, resulting in declines in the S&P 500 (–0.2%) and NASDAQ (–0.5%). Risk sentiment was more positive over in Europe, as gains in the Euro Stoxx 50 (+0.7%) and Germany's DAX (+1.3%) pared back some of the losses from earlier in the week. The ASX 200 had quite the session, cratering intraday before recovering and stabilising into close, ultimately finishing –0.2% lower on Friday. Stocks were mixed elsewhere across Asia, falling in Tokyo (–0.2%) but rebounding strongly in Hong Kong (+1.3%) after larger declines earlier in the week.
- Despite a sell-off intraday, treasury yields ultimately the day lower, with the 2Y down 3bps to 3.91% and the 10Y down 2bps to 4.38%. Markets moved slightly more bullish on rate cuts after the FOMC's Daly suggested that the next rate cut "could" come as early as July. Futures markets are now pricing in around a 16% chance of a July rate cut, and two 25bp rate cuts by year-end. Yields were somewhat mixed offshore, with the 10Y Gilt up 1bp to 4.54%, while the 10Y Bund fell 1bp to 2.52%. Australian (futures) yields steepened, with the 3Y flat at 3.33% while the 10Y rose 2bps to 4.23%. With swaps markets still pricing in a high likelihood of a July RBA rate cut (84% chance), the upcoming monthly inflation update will be watched closely.
- Despite gaining some momentum over the course of the session, the DXY ultimately lost ground on Friday, finishing –0.2% lower. The DXY move was largely driven by the Euro, which rose 0.2% against the greenback, while the Japanese Yen fell –0.4% and Sterling fell –0.1%. So-called 'riskier' G10 currencies also fell versus the USD, with the Aussie (–0.5%) and Kiwi (–0.4%) down on Friday. In early Sydney trading this morning, a strong bid for the USD has emerged following the news of US strikes on Iran, seeing Friday's gain for the Euro completely evaporate and losses intensify across virtually all of the G10 currencies.
- On Friday, crude prices fell as markets responded to President Trump's signalling a degree of patience regarding the US' potential involvement in the Israel-Iran conflict, seeing Brent fall –2.3% to US\$77.01/bbl. Following the US' direct involvement in attacks on Iran's nuclear sites over

## Today's key data and events

For	Data/Event	Exp	Prev
10:30am	JP Jibun Bank Manufacturing PMI Jun Prel.	-	49.4pts
10:30am	JP Jibun Bank Services PMI Jun Prel.	-	51pts
6:00pm	EZ HCOB Manufacturing PMI Jun Prel.	49.8pts	49.4pts
6:00pm	EZ HCOB Services PMI Jun Prel.	50pts	49.7pts
6:30pm	GB S&P Manufacturing PMI Jun Prel.	46.9pts	46.4pts
6:30pm	GB S&P Services PMI Jun Prel.	51.2pts	50.9pts
11:45pm	US S&P Manufacturing PMI Jun Prel.	51pts	52pts
11:45pm	US S&P Services PMI Jun Prel.	52.9pts	53.7pts
12:00am	US Existing Home Sales May	-1.2%	-0.5%

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 weekend, crude markets are poised to rally on market open today. Key base metals moved higher, with aluminium surging 1.1% while copper rose 0.2%. Iron ore inched 0.2% higher while gold managed to finish broadly flat after dipping intraday.

## International Data:

In the US, the **Philly Fed Index** continued to point to a shaky outlook for regional manufacturing conditions, with the index unchanged at a weak reading of –4.0 index points versus expectations for a modest improvement to –1.5 index points. While some of the activity indicators suggest current conditions are expanding at a modest pace – although notably, the employment sub-index is at its lowest since May 2020 – the main reason behind the weak headline read is the pervasive uncertainty around future business conditions. In other data, the **leading index** recovered back to its five-year average in May, largely due to the stock market's recovery as the 'Liberation Day' shock unwound.

In Europe, the European Commission's **consumer confidence** indicator remained steady, edging only slightly lower from –15.2 in May to –15.3 in June, in line with the average over the past five years, which itself is quite weak versus pre-pandemic readings. Over in the UK, **GfK consumer confidence** was more constructive, improving marginally from –20 in May to –18 in June. However, this came alongside a disappointing read on **retail sales**, which fell –2.7% in May. This points to some downside risk around household consumption in Q2 following a very solid first few months of the year.



# Corporate Directory

## Westpac Economics / Australia

### Sydney

Level 19, 275 Kent Street  
Sydney NSW 2000  
Australia

E: [economics@westpac.com.au](mailto:economics@westpac.com.au)

### Luci Ellis

Chief Economist Westpac Group  
E: [luci.ellis@westpac.com.au](mailto:luci.ellis@westpac.com.au)

### Matthew Hassan

Head of Australian Macro-Forecasting  
E: [mhassan@westpac.com.au](mailto:mhassan@westpac.com.au)

### Elliot Clarke

Head of International Economics  
E: [eclarke@westpac.com.au](mailto:eclarke@westpac.com.au)

### Sian Fenner

Head of Business and Industry Economics  
E: [sian.fenner@westpac.com.au](mailto:sian.fenner@westpac.com.au)

### Justin Smirk

Senior Economist  
E: [jsmirk@westpac.com.au](mailto:jsmirk@westpac.com.au)

### Pat Bustamante

Senior Economist  
E: [pat.bustamante@westpac.com.au](mailto:pat.bustamante@westpac.com.au)

### Mantas Vanagas

Senior Economist  
E: [mantas.vanagas@westpac.com.au](mailto:mantas.vanagas@westpac.com.au)

### Ryan Wells

Economist  
E: [ryan.wells@westpac.com.au](mailto:ryan.wells@westpac.com.au)

### Illiana Jain

Economist  
E: [illiana.jain@westpac.com.au](mailto:illiana.jain@westpac.com.au)

### Jameson Coombs

Economist  
E: [jameson.coombs@westpac.com.au](mailto:jameson.coombs@westpac.com.au)

### Neha Sharma

Economist  
E: [neha.sharma1@westpac.com.au](mailto:neha.sharma1@westpac.com.au)

## Westpac Economics / New Zealand

### Auckland

Takutai on the Square  
Level 8, 16 Takutai Square  
Auckland, New Zealand

E: [economics@westpac.co.nz](mailto:economics@westpac.co.nz)

### Kelly Eckhold

Chief Economist NZ  
E: [kelly.eckhold@westpac.co.nz](mailto:kelly.eckhold@westpac.co.nz)

### Michael Gordon

Senior Economist  
E: [michael.gordon@westpac.co.nz](mailto:michael.gordon@westpac.co.nz)

### Darren Gibbs

Senior Economist  
E: [darren.gibbs@westpac.co.nz](mailto:darren.gibbs@westpac.co.nz)

### Satish Ranchhod

Senior Economist  
E: [satish.ranchhod@westpac.co.nz](mailto:satish.ranchhod@westpac.co.nz)

### Paul Clark

Industry Economist  
E: [paul.clarke@westpac.co.nz](mailto:paul.clarke@westpac.co.nz)

## Westpac Economics / Fiji

### Suva

1 Thomson Street  
Suva, Fiji

### Shamal Chand

Senior Economist  
E: [shamal.chand@westpac.com.au](mailto:shamal.chand@westpac.com.au)



 [westpaciq.com.au](http://westpaciq.com.au)

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