



7 May 2026

# MORNING REPORT

Today's economic developments and market movements.

## Key themes

Markets reacted favourably as President Trump signalled progress toward a potential agreement with Iran, including a staged reopening of the Strait of Hormuz, with further negotiations around Iran's nuclear programme to follow.

Equity markets strengthened on improved Middle East sentiment, with the ASX 200 recording its strongest performance in nearly a month.

US bond markets rallied as oil prices eased, while political uncertainty around UK local elections saw UK yields reverse lower on the day.

The USD weakened, with the AUD rising to a multi-year high of 0.7278 during the session.

Oil prices pulled back sharply on more constructive Middle East developments, while gold and base metals gained and iron ore rose on renewed demand following China's May Day holiday.

## Data snapshot

FX Last 24 hrs	Current	Change
TWI	67.1	1.2%
AUD/USD	0.7237	0.8%
AUD/JPY	113.15	-0.2%
AUD/GBP	0.5325	0.4%
AUD/NZD	1.2150	-0.4%
AUD/EUR	0.6161	0.3%
AUD/CNH	4.9311	0.6%
AUD/SGD	0.9178	0.2%
AUD/HKD	5.6711	0.7%
AUD/CAD	0.9864	0.9%
EUR/USD	1.1749	0.5%
USD/JPY	156.38	-0.9%
USD Index	98.05	-0.4%

Equities	Close	Change
S&P/ASX 200	8,794	1.3%
S&P 500	7,365	1.5%
Japan Nikkei	59,513	0.4%
Hang Seng	26,214	1.2%
Euro Stoxx 50	6,027	2.7%
UK FTSE100	10,439	2.1%
VIX Index	17.39	0.1%

Commodities	Current	Change
CRB Index	388.00	-2.6%
Gold	4691.94	3.0%
Copper	13392	2.0%
Oil (WTI futures)	96.11	-6.0%
Coal (coking)	237.00	0.9%
Coal (thermal)	136.30	-3.2%
Iron Ore	110.30	1.8%
ACCU	36.13	-4.3%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	4.34	0.07
90 day BBSY	4.49	0.05
180 day BBSY	4.82	0.04
1 year swap	4.63	-0.03
2 year swap	4.62	-0.04
3 year swap	4.59	-0.04
4 year swap	4.58	-0.03
5 year swap	4.59	-0.04
6 year swap	4.62	-0.04
7 year swap	4.67	-0.04
8 year swap	4.71	-0.04
9 year swap	4.75	-0.04
10 year swap	5.00	-0.05

Government Bond Yields	Close	Change
<b>Australia</b>		
3 year bond	4.63	0.00
10 year bond	4.95	-0.02
<b>United States</b>		
3-month T Bill	3.60	0.00
2 year bond	3.87	-0.07
10 year bond	4.35	-0.08

Other (10 year yields)		
Germany	3.00	-0.06
Japan	2.52	0.00
UK	4.94	-0.12

Sydney Futures Exchange	Current	Change
10 yr bond	4.93	-0.05
3 yr bond	4.58	-0.06
3 mth bill rate	4.28	0.00
SPI 200	8,897	1.1%

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

Markets reacted favourably overnight as President Trump signalled progress toward a final agreement with Iran. The President said he would pause 'Project Freedom', with the US delivering Iran a one page memorandum of understanding that would gradually reopen the Strait of Hormuz and lift the naval blockade. Detailed negotiations over Iran's nuclear programme would follow, with Iran expected to respond via mediators within the next two days. This comes as China's Foreign Minister also called for a swift reopening of the Strait in discussions with his Iranian counterpart, while Presidents Trump and Xi are scheduled to meet in person mid month.

- Equity markets were stronger, with optimism around the Middle East driving sentiment. In the US, equities reached fresh highs, with the S&P 500 gaining 1.5%, the Dow Jones up 1.2%, and the NASDAQ 100 outperforming with a 2.0% rise. European equities also advanced, with the Euro Stoxx 50 up 2.7% and the FTSE 100 rising 2.1%.
- Asian markets rallied, led by Korea's KOSPI, up 6.5% on AI related enthusiasm, followed by the Hang Seng (+1.2%) and the Nikkei 225 (+0.4%). Locally, the ASX 200 recorded its strongest performance in nearly a month, rising 1.3%, led by the major banks.
- US bond markets rallied across the curve as oil prices eased, with the 2-year yield down 7bps, and the 10-year yield 8bps lower. Futures pricing was little changed, with no rate moves expected this year. Elsewhere, UK gilt yields reversed sharply amid political uncertainty related to the UK local elections, with the 10-year yield falling 12bps.
- Australian government bonds were broadly stable as markets reflected on the RBAs latest move. The 3-year yield held steady, while the 10-year declined 2bps. Swaps markets are wholly pricing in at least one additional rate hike this year, with the implied terminal cash rate for year-end at 4.64%.
- FX markets saw broad USD weakness, with the DXY down -0.4% on the session. The Australian dollar posted solid gains against the USD, reaching a multi year high of 0.7278 before paring some gains into the close to end the day up 0.8%. The New Zealand dollar outperformed against the Greenback, up 1.2%, with the Euro (+0.5%), and Sterling (+0.4%) also stronger.
- Commodity markets saw a continued pull back in oil as Middle East headlines turned more constructive. Brent fell -7.2% to US\$102/bbl, while WTI declined -6.0% to US\$96.1/bbl. Gold benefited from improved risk sentiment and USD weakness, posting its strongest gain since March, up 3.0%. Copper and aluminium also saw solid gains of

## Today's key data and events

Time	Event	Exp	Prev
11:30	AU Trade Balance Mar	\$4400m	\$5686m
19:00	EZ Retail Sales Mar	-0.3%	-0.2%
22:30	US Productivity Q1 Prel.	0.6%	1.8%
22:30	US Initial Jobless Claims 2/05/2026	205k	189k
-	CN Foreign Reserves Apr	US\$3366b	-

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.

2.0% and 1.9% respectively, while iron ore posted a day gain of 1.8% as China emerges from its May Day holiday period, supporting renewed buying interest.

## International Data

**US ADP employment** was marginally below expectations in April at 109k, but the result is a step up from March's 61k.

**St Louis Fed President Musalem** emphasised uncertainty, showing greater concern over inflation than employment. **Chicago Fed President Goolsbee** warned against reflexively lowering interest rates in response to productivity gains, recognising that the income and wealth created by progress can accelerate inflation.

The **Euro Area PPI** printed as expected, a 3.4% gain in March leaving the annual change at 2.1%yr. Ex energy, prices were up just 0.5% in the month and 1.4%yr.

## Local Data

In New Zealand, **employment** rose 0.2%qtr in the March quarter, while the **participation rate** fell to 70.4%, resulting in the **unemployment rate** easing to 5.3% - the first decline since December 2021 (see [here](#)).



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