



11 May 2026

MORNING REPORT

Today's economic developments and market movements.

Key themes

There was a modest risk-on tone to end the week after it was reported that the US expects Iran to respond to its latest proposal imminently. Since then, the WSJ has reported that Iran offered to transfer uranium to a third country, but did not agree to dismantle its nuclear facilities.

Ongoing discussions, combined with a stronger-than-expected jobs report, saw US equities hit a new record high.

Bond markets saw only modest moves, while the US dollar softened. The Aussie rose 0.5% to 0.7246 against the Greenback and moved higher across several crosses.

Locally, all eyes this week will be on the Federal Budget, which is set to benefit from elevated commodity prices. This year's budget will include tax changes for housing and discretionary trusts, which will help fund higher structural spending elsewhere, including defence.

Data snapshot

FX Last 24 hrs	Current	Change	AUS Interest Rate Swaps	Last	Change
TWI	66.8	-0.1%	30 day BBSY	4.35	0.01
AUD/USD	0.7246	0.5%	90 day BBSY	4.49	0.00
AUD/JPY	113.51	0.3%	180 day BBSY	4.81	0.00
AUD/GBP	0.5315	-0.1%	1 year swap	4.68	0.01
AUD/NZD	1.2144	0.1%	2 year swap	4.68	0.01
AUD/EUR	0.6148	0.0%	3 year swap	4.67	0.01
AUD/CNH	4.9254	0.4%	4 year swap	4.65	0.01
AUD/SGD	0.9183	0.4%	5 year swap	4.67	0.01
AUD/HKD	5.6744	0.5%	6 year swap	4.70	0.01
AUD/CAD	0.9906	0.6%	7 year swap	4.74	0.01
EUR/USD	1.1787	0.5%	8 year swap	4.78	0.01
USD/JPY	156.68	-0.2%	9 year swap	4.83	0.01
USD Index	97.90	-0.2%	10 year swap	5.07	0.00

Equities	Close	Change	Government Bond Yields	Close	Change
S&P/ASX 200	8,744	-1.5%	Australia		
S&P 500	7,399	0.8%	3 year bond	4.66	0.05
Japan Nikkei	62,714	-0.2%	10 year bond	4.99	0.07
Hang Seng	26,394	-0.9%	United States		
Euro Stoxx 50	5,912	-1.0%	3-month T Bill	3.59	-0.01
UK FTSE100	10,233	-0.4%	2 year bond	3.88	-0.03
VIX Index	17.19	0.6%	10 year bond	4.35	-0.03

Commodities	Current	Change	Other (10 year yields)		
CRB Index	389.44	0.0%	Germany	3.01	0.00
Gold	4715.25	0.6%	Japan	2.48	0.00
Copper	13573	1.3%	UK	4.91	-0.04

	Current	Change	Sydney Futures Exchange	Current	Change
Oil (WTI futures)	95.42	0.6%	10 yr bond	4.99	-0.02
Coal (coking)	239.25	-0.5%	3 yr bond	4.65	-0.02
Coal (thermal)	134.45	-0.6%	3 mth bill rate	4.53	0.01
Iron Ore	110.30	-0.1%	SPI 200	8,736	-0.5%
ACCU	36.13	-4.3%			

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.



Pat Bustamante
Senior Economist, Westpac Group
P: +61 468 571 786
E: pat.bustamante@westpac.com.au

Financial Markets

- There was a modest risk on tone to end the week after it was reported the US expects Iran to respond to its latest proposal to end their war imminently. Iran's Foreign Ministry Spokesman said the proposal was "under review". This came as the US disabled two Iranian-flagged oil tankers in the Gulf of Oman.
- Over the weekend it was reported that Iran has provided the US with a response to its proposal to end the war. The Wall Street Journal reports that the "lengthy" reply leaves a gap between the two sides and focuses attention on the initial re-opening of the Strait. Nuclear issues would continue to be discussed over the next month, although Iran has shown a willingness to dilute its highly-enriched uranium and send its stockpile to a third-party nation, albeit with a right to receive it back if negotiations fail.
- This backdrop, combined the better-than-expected US jobs report which showed net hiring rose by 115k (almost double the 65k expected by the market), helped to lift US equities to new record highs. The S&P 500 rose 0.8% on the day, taking weekly gains to 2.3% and marking a sixth consecutive week of advances. The tech heavy Nasdaq outperformed, led by Intel which jumped following reports of a preliminary deal which will see Apple exclusively buy its chips, rising 1.7% on the day and 4.5% over the week. The Dow Jones lagged, ending the session flat but still up around 0.2% over the week. Implied volatility edged higher, with the VIX up 0.6% to 17.19.
- European markets were weaker, with the Euro Stoxx 50 down 1.0%, Germany's DAX down 1.3% and the FTSE 100 falling 0.4%. Asian markets were also mixed to weaker, with Japan's Nikkei down 0.2% while the Hang Seng fell 0.9%. Locally, the S&P/ASX 200 fell 1.5% to end the week flat, while SPI futures point to a weaker start today, down 0.5%.
- Bond markets saw modest moves. In the US, the 2 year Treasury yield fell 3bps to 3.88%, while the 10 year yield declined 3bps to 4.35%. Interest rate futures continue to price no policy changes through 2026. European yields were mixed, with Germany's 10 year steady at 3.01% and UK yields down 4bps to 4.91%.
- Australian government bond yields were also lower on future, with the 3 year bond yields down 2bps to 4.65% and the 10 year bond also down 2bps to 4.99%. OIS pricing continues to imply a terminal cash rate of around 4.71% through 2026 (equivalent to roughly one and a half additional hikes) with around 19bps of tightening priced for the August RBA Board meeting.
- In FX markets, the US dollar softened modestly, with

Today's key data and events

Time	Event	Exp	Prev
11:30	CN PPI Apr	1.8%	0.5%
11:30	CN CPI Apr	0.9%	1.0%
-	CN M2 Money Supply Apr	8.5%	8.5%
0:00	US Existing Home Sales Apr	2.0%	-3.6%

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 DXY down 0.2% to 97.90. The Australian dollar strengthened, rising 0.3% to 0.7234 against the USD, and broadly higher across crosses, including gains against and broadly higher across crosses, including gains against the CAD (+0.6%), HKD (+0.5%), CNH (+0.4%), SGD (+0.4%) and JPY (+0.3%). The trade weighted index eased slightly by 0.1% to 66.8.

- Commodity markets were mixed. Oil prices were higher, with WTI futures up 0.6% to US\$95.42/bbl, while gold increased 0.6% and copper gained 1.3%. Bulk commodities were weaker, with iron ore down 0.1% but remains around US\$110 per tonne, coking coal down 0.5%, and thermal coal down 0.6%. ACCU prices fell sharply by 4.3%.

International Data

US nonfarm payrolls beat expectations in April, rising 115k (est. 65k). The net revision to the prior two months was modest at -16k, leaving the three-month average at +48k, broadly consistent with balance between labour demand and supply. The unemployment rate remained steady at 4.3% as the participation rate edged down 0.1ppts.

University of Michigan consumer sentiment slipped from 49.8 to 48.2 in May. Current conditions were marked lower, but expectations edged higher. Inflation expectations for 5-10yrs ahead slipped from 3.5% to 3.4%.

FOMC member Goolsbee said all options for interest rates are on the table: "I don't see how you can look at the current situation and, at least to me, view that the only thing that's on the table conceivably are rate cuts".

Local Data

All eyes this week will be on the Federal Budget which is set to benefit from the elevated commodity prices. We expect a \$23.8bn underlying cash deficit in FY2026, an improvement of around \$13bn relative to the 2025 26 MYEFO ([see here](#)).

The May Westpac Economics Market Outlook was released on Friday which updates our full suite of economic and financial forecasts ([see here](#)).



Corporate Directory

Westpac Economics / Australia

Sydney

Level 19, 275 Kent Street
Sydney NSW 2000
Australia

E: economics@westpac.com.au

Luci Ellis

Chief Economist Westpac Group
E: luci.ellis@westpac.com.au

Matthew Hassan

Head of Australian Macro-Forecasting
E: mhassan@westpac.com.au

Elliot Clarke

Head of International Economics
E: eclarke@westpac.com.au

Sian Fenner

Head of Business and Industry Economics
E: sian.fenner@westpac.com.au

Justin Smirk

Senior Economist
E: jsmirk@westpac.com.au

Pat Bustamante

Senior Economist
E: pat.bustamante@westpac.com.au

Mantas Vanagas

Senior Economist
E: mantas.vanagas@westpac.com.au

Ryan Wells

Economist
E: ryan.wells@westpac.com.au

Illiana Jain

Economist
E: illiana.jain@westpac.com.au

Neha Sharma

Economist
E: neha.sharma1@westpac.com.au

Luka Belobrajdic

Economist
E: luka.belobrajdic@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

Kelly Eckhold

Chief Economist NZ
E: kelly.eckhold@westpac.co.nz

Michael Gordon

Senior Economist
E: michael.gordon@westpac.co.nz

Darren Gibbs

Senior Economist
E: darren.gibbs@westpac.co.nz

Satish Ranchhod

Senior Economist
E: satish.ranchhod@westpac.co.nz

Paul Clark

Industry Economist
E: paul.clarke@westpac.co.nz

Westpac Economics / Fiji

Suva

1 Thomson Street
Suva, Fiji

Shamal Chand

Senior Economist
E: shamal.chand@westpac.com.au



westpaciq.com.au

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