



18 May 2026

MORNING REPORT

Today's economic developments and market movements.

Key themes

Risk sentiment took a hit at the end of last week as nerves around the Middle East conflict and its inflationary consequences resurfaced.

This comes as the Xi-Trump summit ended without any significant changes in the status quo, outside of an agricultural produce deal.

A global bond rout saw longer-dated yields jump to fresh highs across some jurisdictions, as markets now expect tighter monetary policy sooner.

10-year treasury yields are only a fraction under 4.6%, while added political instability in the UK has sent the 10-year Gilts yields to their highest since 2008.

Crude oil prices lifted back up to a near two-week high as a result, with Brent now trading around US\$109/bbl. This came alongside a sell-off in equities, a rally in the USD and a drop in gold prices.

Data snapshot

FX Last 24 hrs	Current	Change	AUS Interest Rate Swaps	Last	Change
TWI	66.6	-1.0%	30 day BBSY	4.35	-0.01
AUD/USD	0.7151	-1.0%	90 day BBSY	4.49	0.00
AUD/JPY	113.47	-0.7%	180 day BBSY	4.83	0.00
AUD/GBP	0.5367	-0.4%	1 year swap	4.74	0.05
AUD/NZD	1.2234	0.2%	2 year swap	4.76	0.06
AUD/EUR	0.6153	-0.5%	3 year swap	4.74	0.05
AUD/CNH	4.8720	-0.6%	4 year swap	4.74	0.09
AUD/SGD	0.9154	-0.7%	5 year swap	4.76	0.10
AUD/HKD	5.6008	-1.0%	6 year swap	4.80	0.10
AUD/CAD	0.9834	-0.7%	7 year swap	4.85	0.10
EUR/USD	1.1623	-0.4%	8 year swap	4.90	0.11
USD/JPY	158.67	0.2%	9 year swap	4.94	0.11
USD Index	99.28	0.5%	10 year swap	4.98	0.11

Equities	Close	Change	Government Bond Yields	Close	Change
S&P/ASX 200	8,631	-0.1%	Australia		
S&P 500	7,409	-1.2%	3 year bond	4.73	0.05
Japan Nikkei	61,409	-2.0%	10 year bond	5.07	0.05
Hang Seng	25,963	-1.6%	United States		
Euro Stoxx 50	5,828	-1.8%	3-month T Bill	3.58	-0.01
UK FTSE100	10,195	-1.7%	2 year bond	4.07	0.05
VIX Index	18.43	6.8%	10 year bond	4.59	0.11
			Other (10 year yields)		
Commodities	Current	Change	Germany	3.17	0.12
CRB Index	399.29	-0.2%	Japan	2.72	0.08
Gold	4540.08	-2.4%	UK	5.17	0.18
Copper	13555	-2.8%			
Oil (WTI futures)	105.42	4.2%	Sydney Futures Exchange	Current	Change
Coal (coking)	239.50	-0.1%	10 yr bond	5.14	0.04
Coal (thermal)	136.50	2.3%	3 yr bond	4.76	0.02
Iron Ore	108.80	-1.3%	3 mth bill rate	4.54	0.01
ACCU	36.13	-4.3%	SPI 200	8,618	-0.4%

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

- It was a sea of red for global equity markets at the end of last week, with risk sentiment taking a hit amid concerns over the lack of progress and regarding the US-Iran war and the associated scale of its inflationary impact. US sharemarkets fell from a record high, led by but not exclusive to chipmakers, with the S&P 500 (-1.2%), Dow Jones (-1.1%) and NASDAQ (-1.5%) all posting declines. The Euro Stoxx 50 (-1.8%) and London's FTSE 100 (-1.7%) experienced a larger fall.
- Asian markets set the tone ahead of the New York and London open, with significant pull-backs across Tokyo (-2.0%), Hong Kong (-1.6%) and Shanghai (-1.1%). The ASX 200 was relatively unscathed on Friday (-0.1%), although this follows bigger losses and varied performances across sectors post-Budget last week.
- The sell-off in treasuries shifted into a higher gear at the end of last week as nerves over the inflation outlook came to the fore. Yields jumped higher and steepened across the curve, but most notably, the 10-year yield surged to its highest in nearly a year, to 4.59%. This comes as markets now start to fully price in rate hikes from the Federal Reserve in 2027 (in March), although nearer-term pricing remains little-changed.
- Bunds were also swept up in the action, with the 10-year yield surging 12bps to 3.17%, the highest since 2011. Gilts saw added selling pressure from political uncertainty following local elections last week, with the 10-year yield up 18bps to 5.17%, the highest since 2008. Across both jurisdictions, market pricing for ECB and BoE rate hikes has continued to firm, with another two expected from both central banks this year.
- ACGB yields also rose during local trading but to a lesser degree, with the 3-year up 5bps to 4.73% while the 10-year is establishing a foothold with a 5-handle, up 5bps to 5.07%, the highest since 2011. Swaps markets are now fully pricing in an RBA rate hike in September, with an earlier move in August seen as an 85% chance.
- The USD rallied strongly against the uncertain backdrop, with the DXY finishing 0.5% higher on Friday at 99.28. All major currencies depreciated against the greenback albeit to varying degrees, including the Euro (-0.4%) and Sterling (-0.6%). The Yen's decline was more modest at -0.2%, although it is steadily encroaching back toward JPY159.
- Riskier currencies like the Aussie and Kiwi dollar suffered larger blows, falling -1.0% and -1.2% respectively, with both broadly stable in early trading this morning. The data calendar is fairly quiet this week, the only major data for the Aussie being the April labour force survey which could

Today's key data and events

Time	Event	Exp	Prev
8:30	NZ BusinessNZ PSI Apr	-	46pts
9:01	GB Rightmove House Prices May	-	0.8%
12:00	CN Retail Sales YoY YTD Apr	-	2.4%
12:00	CN Industrial Production YoY YTD Apr	-	6.1%
12:00	CN Fixed Asset Investment YoY YTD Apr	1.7%	1.7%
0:00	US NAHB Housing Market May	34pts	34pts

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.

be a bit weaker than expected. Outside of this, currency action is likely to be centred on the USD leg stemming from developments out of the Middle East

- Crude oil prices rose to a near two-week high after the Xi-Trump summit ended without any major concessions or changes in the status quo. Brent and WTI rose 3.4% and 4.2% to US\$109.26/bbl and US\$105.42/bbl respectively.
- Metals buckled under the pull-back in risk sentiment, with LME copper, aluminium and nickel down -2.8%, -2.6% and -2.1% respectively. With yields lifting and the USD rallying, gold prices dropped -2.4% to be around US\$4,540/oz.

International Data

In the US, the **Empire State manufacturing survey** surprised in May, rising to a four-year high of 19.6 from 11.0. Firms grew more optimistic about the outlook, margins were maintained and new orders strengthened; however, labour demand softened. These regional manufacturing surveys were also in good health in April, setting up for a solid result for broader **industrial production**, which rose 0.7%; durable goods drove the gain, particularly a rebound in vehicle production, but increased output of metals, minerals, agricultural equipment and electronics also contributed.

Local Data

There was no major data out on Friday in Australia, but Westpac published a preview of the **April Labour Force Survey**, due to be released on Thursday (see [here](#)). In New Zealand, April's **selected price indices** was a bit softer than expected, though a kick-up in inflation is still due mid-year (see [here](#)).



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