



19 May 2026

# MORNING REPORT

Today's economic developments and market movements.

## Key themes

Markets saw a volatile session, with equities and oil whipsawing on conflicting signals around prospects for a US–Iran deal to end the conflict and restore energy flows through the Strait of Hormuz.

Sentiment stabilised after reports that the US President had called off a planned strike on Iran following appeals from Persian Gulf leaders, which saw US equities recover earlier losses. European markets closed higher on news the US had issued waivers for the sale of Russian crude.

There were small moves in bond markets, with the exception of UK gilts, which rallied on the back of a slightly more positive outlook presented in this year's IMF Article IV report. Local yields were lower on futures.

The US dollar softened modestly, while the Aussie strengthened, rising 0.3% to 0.7168 against the USD and broadly higher across crosses.

## Data snapshot

FX Last 24 hrs	Current	Change	AUS Interest Rate Swaps	Last	Change
TWI	66.5	-0.2%	30 day BBSY	4.35	0.00
AUD/USD	0.7168	0.3%	90 day BBSY	4.50	0.01
AUD/JPY	113.82	0.3%	180 day BBSY	4.86	0.03
AUD/GBP	0.5337	-0.6%	1 year swap	4.70	-0.04
AUD/NZD	1.2206	-0.3%	2 year swap	4.72	-0.06
AUD/EUR	0.6152	0.0%	3 year swap	4.69	-0.04
AUD/CNH	4.8740	0.1%	4 year swap	4.70	-0.04
AUD/SGD	0.9168	0.2%	5 year swap	4.72	-0.04
AUD/HKD	5.6130	0.3%	6 year swap	4.76	-0.04
AUD/CAD	0.9850	0.1%	7 year swap	4.81	-0.04
EUR/USD	1.1653	0.3%	8 year swap	4.86	-0.04
USD/JPY	158.82	0.1%	9 year swap	4.90	-0.04
USD Index	99.00	-0.3%	10 year swap	4.95	-0.03

Equities	Close	Change	Government Bond Yields	Close	Change
S&P/ASX 200	8,505	-1.5%	<b>Australia</b>		
S&P 500	7,403	-0.1%	3 year bond	4.74	0.01
Japan Nikkei	60,816	-1.0%	10 year bond	5.11	0.04
Hang Seng	25,675	-1.1%	<b>United States</b>		
Euro Stoxx 50	5,849	0.4%	3-month T Bill	3.56	-0.03
UK FTSE100	10,324	1.3%	2 year bond	4.04	-0.02
VIX Index	17.82	-3.3%	10 year bond	4.59	-0.01

Commodities	Current	Change	Other (10 year yields)		
CRB Index	405.77	1.6%	Germany	3.15	-0.02
Gold	4566.67	0.6%	Japan	2.74	0.02
Copper	13588	0.2%	UK	5.10	-0.07

	Current	Change	Sydney Futures Exchange	Current	Change
Oil (WTI futures)	108.66	3.1%	10 yr bond	5.08	-0.05
Coal (coking)	238.00	-0.6%	3 yr bond	4.69	-0.05
Coal (thermal)	140.45	1.2%	3 mth bill rate	4.52	-0.01
Iron Ore	108.15	-0.9%	SPI 200	8,615	1.1%
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.



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## Financial Markets

- Markets saw a volatile session, with equities and oil whipsawing on conflicting signals around prospects for a US–Iran deal to end the conflict and restore energy flows through the Strait of Hormuz.
- The backdrop at the open was negative, with both the US and Iran indicating they had rejected new peace proposals. The US administration reportedly described Tehran’s response, delivered via mediators, as lacking meaningful improvement, while Iran signalled that US demands remained unacceptable.
- Sentiment stabilised later in the session after reports the US President had called off a planned strike on Iran following appeals from Persian Gulf leaders, helping equities recover earlier losses. The S&P 500 finished flat after being down more than 0.5% intraday. The tech-heavy Nasdaq closed 0.5% lower, partially retracing earlier declines, while the Dow Jones Industrial Average outperformed, rising 0.3%.
- In contrast, European markets were firmer on signs of easing Middle East tensions. Reports that the US is considering a temporary waiver on Iranian oil sanctions, alongside a new waiver allowing the sale of Russian crude already loaded on tankers, supported sentiment. The Euro Stoxx 50 rose 0.4%, Germany’s DAX gained 1.5%, and the FTSE 100 increased 1.3%. Asian markets were lower, with Japan’s Nikkei down 1.0% and the Hang Seng down 1.1%. Locally, the S&P/ASX 200 declined 1.5%, while SPI futures point to a stronger start today, up 1.1%.
- Outside of Europe, bond markets saw modest moves. In the US, the 2-year Treasury yield fell 2bps to 4.04%, while the 10-year yield declined 1bp to 4.59%. Interest rate futures continue to price no policy changes through 2026, with a hike priced in for mid-2027. European yields were mixed, with Germany’s 10-year steady at 3.15% and UK yields down 7bps to 5.10% following an upgrade to UK growth in its 2026 Article IV report released overnight.
- Australian government bond yields were lower on futures, with the 3-year bond yields down 5bps to 4.69% and the 10-year bond was also down 5bps to 5.08%. 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 a full rate hike expected by the September RBA Board meeting.
- In FX markets, the US dollar softened modestly, with the DXY down 0.3% to 99.00. The Australian dollar strengthened, rising 0.3% to 0.7168 against the USD, and broadly higher across crosses, including gains against the CAD (+0.1%), HKD (+0.3%), CNH (+0.1%), SGD (+0.2%)

## Today’s key data and events

Time	Event	Exp	Prev
0:00	US NAHB Housing Market May	34pts	34pts
8:45	NZ PPI Q1	-	0.1%
8:45	NZ Card Spending Apr	-	1.3%
9:50	JP GDP Q1 Prel.	0.4%	0.3%
10:30	AU Westpac-MI Consumer Sentiment	-	80.1pts
11:30	AU RBA Minutes	-	-
14:30	JP Industrial Production Mar Final	-	-0.5%
16:00	GB ILO Unemployment Rate Mar	4.9%	4.9%
22:30	CA CPI Apr	0.6%	0.9%
22:30	CA CPI Apr	3.1%	2.4%
0:00	US Pending Home Sales Apr	1.0%	1.5%

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.

and JPY (+0.3%). The trade weighted index eased slightly by 0.2% to 66.5.

- Commodity markets were mixed. Oil prices were higher, with WTI futures up 3.1% to US\$108.66/bbl, while gold increased 0.6% and copper gained 0.2%. Bulk commodities were weaker, with iron ore down 0.9% but remains around US\$108 per tonne, coking coal down 0.6%, and thermal coal up 1.2%. ACCU prices fell sharply by 4.3%.

## International Data

**China’s monthly activity indicators** pointed to a further loss of momentum in April. Retail sales growth slowed sharply to 0.2%yr in April from 1.7%yr in March, marking a post-pandemic low, as reduced government subsidies weighed heavily on sales of cars and household appliances. Weak demand saw businesses scaling back investment, with year-to-date fixed asset investment growth easing to 1.6%yr. Private investment remained the main drag, falling 5.2%yr YTD, while growth in government-sector investment also slowed materially to 2.5%yr YTD from 7.1%yr in Q1.

The downturn in property investment, an important bellwether for broader confidence in the economy, deepened further, with year-to-date growth falling to 13.7%yr. Industrial production growth slowed to 4.1%yr in April from 5.7%yr in March, with some signs that supply disruptions linked to the Middle East are beginning to weigh on output.

The **US NAHB survey** of single-family home builders indicated that sentiment improved in May after softening in April. The headline index rose from a seven-month low of 34 to 37. While that level is in line with the average of the previous twelve months, it remains low by historical standards.

## Local Data

There was no major data out yesterday.



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