



25 May 2026

# MORNING REPORT

Today's economic developments and market movements.

## Key themes

Markets finished last week on a positive note, risk sentiment buoyed by optimism over US-Iran negotiations. Equities rallied across the globe, the USD steadied and longer-term bond yields fell across most jurisdictions as crude oil prices broadly stabilised.

Over the weekend, President Trump and his administration implied an initial deal with Iran is near, though a number of points are still to be settled, and it is clear the US and Iran have differing views on hard 'red lines'.

There are early signs that risk sentiment remains supported, early Sydney trade revealing a broad-based sell-off in the USD, with 'riskier' currencies like the AUD benefitting as a result.

Later this week, local inflation data will help gauge the degree of cost pass-through and underlying inflation pressure ahead of the RBA's June meeting. Nearer term, developments on US-Iran negotiations are key. Note US markets are closed today for Memorial Day.

## Data snapshot

FX Last 24 hrs	Current	Change
TWI	66.5	0.2%
AUD/USD	0.7158	-0.3%
AUD/JPY	113.70	-0.2%
AUD/GBP	0.5319	-0.4%
AUD/NZD	1.2179	0.1%
AUD/EUR	0.6151	-0.2%
AUD/CNH	4.8601	-0.4%
AUD/SGD	0.9152	-0.2%
AUD/HKD	5.6086	-0.3%
AUD/CAD	0.9884	-0.1%
EUR/USD	1.1638	-0.1%
USD/JPY	158.84	0.1%
USD Index	99.24	0.0%

Equities	Close	Change
S&P/ASX 200	8,657	0.4%
S&P 500	7,473	0.4%
Japan Nikkei	63,339	2.7%
Hang Seng	25,606	0.9%
Euro Stoxx 50	6,019	1.0%
UK FTSE100	10,466	0.2%
VIX Index	16.7	-0.4%

Commodities	Current	Change
CRB Index	392.67	0.0%
Gold	4509.40	-0.7%
Copper	13668	1.1%
Oil (WTI futures)	96.60	0.3%
Coal (coking)	236.00	0.0%
Coal (thermal)	141.80	-0.2%
Iron Ore	106.25	0.4%
ACCU	36.13	-4.3%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	4.35	0.00
90 day BBSY	4.48	-0.01
180 day BBSY	4.80	-0.03
1 year swap	4.64	0.00
2 year swap	4.60	-0.01
3 year swap	4.57	0.01
4 year swap	4.56	0.01
5 year swap	4.58	0.00
6 year swap	4.62	0.00
7 year swap	4.67	0.00
8 year swap	4.72	0.00
9 year swap	4.77	0.00
10 year swap	4.81	0.00

Government Bond Yields	Close	Change
<b>Australia</b>		
3 year bond	4.54	-0.04
10 year bond	4.92	-0.04
<b>United States</b>		
3-month T Bill	3.58	0.00
2 year bond	4.12	0.04
10 year bond	4.56	-0.01
<b>Other (10 year yields)</b>		
Germany	3.04	-0.06
Japan	2.76	-0.01
UK	4.90	-0.07

Sydney Futures Exchange	Current	Change
10 yr bond	4.94	0.00
3 yr bond	4.56	0.02
3 mth bill rate	4.49	0.01
SPI 200	8,627	-0.7%

Data as at 7:15am AEST. Change is from the previous trading day (excluding the SFE, which is the change during the night session). Source: Bloomberg.



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

## Financial Markets

Markets finished last week on a positive note, with risk sentiment buoyed by ongoing optimism over US-Iran negotiations. Over the weekend, President Trump and his administration implied an initial deal with Iran is near, albeit confirming this morning that no deal will be signed today. On the information to hand, the Strait of Hormuz would be re-opened by Iran and the US blockade lifted. The agreement would then give time for further negotiations on Iran's military capacity, particularly their nuclear program. A number of points are still to be settled, however, and it is clear the US and Iran have differing views on hard 'red lines'.

- Global equity markets finished last week on a decisively positive tone. The S&P 500 (+0.4%) and Dow Jones (+0.5%) outpaced the NASDAQ (+0.2%), suggesting the gains were more broadly based outside of the tech sector. The Euro Stoxx 50 impressed with a 1.0% bounce, while London's FTSE 100 rose 0.2%.
- Asian sharemarkets also posted impressive increases ahead of the New York and London open, with gains across Tokyo (+2.7%), Hong Kong (+0.9%) and Shanghai (+1.3%). The ASX 200 rose 0.4% after a fairly choppy week, led by materials but very mixed across sectors.
- Treasuries finished Friday in mixed fashion, 'twist flattening' upon the 10Y yield edging 1bp lower to 4.56% and the 2Y yield jumping 4bps to 4.12%. The short-end sell-off follows upward revisions to consumer inflation expectations and comments from the FOMC's Waller supporting the Fed removing its easing bias. Markets are pricing in the first Fed rate hike by Jan 2027, with Dec 2026 a close proposition.
- Elsewhere, bonds continued to rally on perceived optimism around US-Iran negotiations. 10Y Bund and Gilt yields fell 6bps and 7bps to 3.04% and 4.90%, a two-week and one-month low respectively. Markets still anticipate an ECB rate hike in July and a BoE rate hike in September.
- ACGBs also rallied during local trading, the 3Y and 10Y both falling 4bps to 4.54% and 4.92% respectively, with futures trading at the long-end steady overnight. Swaps markets pushed back on near-term RBA pricing late last week following weaker labour market data, but this week's inflation data could spark another move depending on if and where it surprises with respect to underlying inflation. As of Friday, swaps markets see an RBA rate hike by August roughly as a 50/50 proposition.
- The USD traded a wide range on Friday, but the DXY index ultimately finished flat at around 99.24. Moves across the crosses were modest on Friday, but in early trade this morning (albeit very thin), there are large gains being made

## Today's key data and events

Time	Event	Exp	Prev
–	US Memorial Day – Markets Closed	–	–

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.

against the USD across all major currencies, buoyed by a more positive tone struck by US officials around US-Iran negotiations over the weekend.

- The Aussie dollar edged –0.3% lower on Friday but is already up 0.4% this morning, trading around USD0.7158. This week's inflation data will play an important role in front-end market pricing for the RBA, which would flow into the currency. Evidence of faster pass-through of higher fuel costs, emblemised by an upside surprise on trimmed mean inflation, could drive some upside for the AUD/USD cross.
- While the market held onto a sense of optimism around US-Iran negotiations, crude oil prices stabilised after posting larger declines earlier in the week. Brent and WTI ticked up 0.9% and 0.3% to US\$103.54/bbl and US\$96.60/bbl respectively. President Trump's more upbeat posts over the weekend may continue to support optimism, but there remains a great deal of uncertainty over the 'red lines' in the deal.
- Copper was buoyed by positive risk sentiment, the three-month rolling futures up 1.1% to US\$13,668, while ongoing uncertainty around future tariffs continues to drive a premium for the metal in the US market. Gold meanwhile edged –1.2% lower to around US\$4,510/oz, following a bounce in short-term US yields after Waller's comments.

## International Data

In the US, the final estimate to May's **Uni. of Michigan consumer sentiment** was revised down from 48.2 to 44.8. Current conditions and expectations both deteriorated, while 12-month and 5-10-year inflation expectations were revised up from 4.5% and 3.4% to 4.8% and 3.9%. The **FOMC's Waller** wants to be patient with policy until the war's impact is clearer, but he warned that he wouldn't rule out a rate hike. "Inflation is not headed in the right direction. I would support removing the 'easing bias' language in our policy statement to make it clear that a rate cut is no more likely in the future than a rate increase."

In the UK, **retail sales** fell 1.3% in April after a 0.6% increase in March. Ex auto fuel, sales were down 0.4% in April after a 0.1% gain in March. Ex auto fuel, sales are up 1.1% over the year. **GfK consumer confidence** edged up from -25 to -23 in May, in line with the 5-year average of the index.

## Local Data

In Australia, **Westpac-Now** suggests the economic upswing is over, growth is stalling, downside risks are building (see [here](#)). Our **April CPI preview** was also published (see [here](#)).



# 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)

### Neha Sharma

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

### Luka Belobrajdic

Economist  
E: [luka.belobrajdic@westpac.com.au](mailto: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](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](https://westpaciq.com.au)

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