27 May 2026

MORNING REPORT

Today's economic developments and market movements.

Key themes

Markets were mixed as optimism around a permanent US–Iran deal was offset by renewed military action described by the US as ‘defensive’, underscoring the fragility of the ceasefire.

Equity markets were mixed, with US stocks rising to fresh highs on US–Iran deal optimism, while Europe underperformed, Asia was mixed and the ASX 200 declined.

US bond markets rallied, with yields falling across the curve as Middle East optimism capped oil price gains.

The USD weakened modestly, with the AUD also declining against the greenback, though proving more resilient on crosses.

Commodity markets were driven by shifting Middle East headlines, with Brent rising, WTI falling, gold declining on higher rate expectations amid renewed military action, and iron ore reversing recent gains as weaker fundamentals returned to focus.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	66.6	0.0%
AUD/USD	0.7169	-0.1%
AUD/JPY	114.19	0.2%
AUD/GBP	0.5331	0.3%
AUD/NZD	1.2281	0.5%
AUD/EUR	0.6162	0.0%
AUD/CNH	4.8629	-0.1%
AUD/SGD	0.9159	0.0%
AUD/HKD	5.6170	-0.1%
AUD/CAD	0.9900	0.0%
EUR/USD	1.1630	-0.1%
USD/JPY	159.30	0.2%
USD Index	99.15	-0.1%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	4.36	0.00
90 day BBSY	4.50	0.00
180 day BBSY	4.81	0.02
1 year swap	4.64	0.04
2 year swap	4.62	0.05
3 year swap	4.58	0.05
4 year swap	4.59	0.07
5 year swap	4.61	0.07
6 year swap	4.64	0.07
7 year swap	4.69	0.07
8 year swap	4.74	0.07
9 year swap	4.78	0.07
10 year swap	4.82	0.07

Equities	Close	Change
S&P/ASX 200	8,658	-0.4%
S&P 500	7,519	0.6%
Japan Nikkei	64,996	-0.2%
Hang Seng	25,599	0.0%
Euro Stoxx 50	6,064	-1.2%
UK FTSE100	10,491	0.2%
VIX Index	17.01	2.5%

Commodities	Current	Change
CRB Index	388.33	-1.1%
Gold	4507.88	-1.4%
Copper	13668	1.1%
Oil (WTI futures)	93.63	-3.1%
Coal (coking)	243.50	-1.4%
Coal (thermal)	142.80	2.1%
Iron Ore	105.10	-1.6%
ACCU	36.13	-4.3%

Government Bond Yields	Close	Change
Australia		
3 year bond	4.55	0.03
10 year bond	4.91	0.03
United States		
3-month T Bill	3.58	0.00
2 year bond	4.03	-0.09
10 year bond	4.48	-0.07
Other (10 year yields)		
Germany	2.98	0.03
Japan	2.73	0.02
UK	4.88	-0.02

Sydney Futures Exchange	Current	Change
10 yr bond	4.94	0.01
3 yr bond	4.57	0.01
3 mth bill rate	4.50	0.02
SPI 200	8,674	-0.1%

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 were mixed overnight as optimism around a permanent deal to end US–Iran hostilities was offset by reports that US and Israeli jets conducted strikes on Iranian missile launch sites and vessels attempting to place mines in the Strait of Hormuz. US Central Command described the strikes as defensive, while Israeli Prime Minister Benjamin Netanyahu said Israel would intensify operations against Iran backed Hezbollah in Lebanon. These developments underscore the fragility of the ceasefire, while US Secretary of State Marco Rubio reiterated that President Trump would either secure a good deal or no deal at all.

- Equity markets were mixed across regions. In the US, stocks rebounded following the US Memorial Day holiday, with the S&P 500 rising 0.6% to a fresh high on optimism around a potential US–Iran agreement, led by gains in chipmakers. The NASDAQ gained 1.2%, while the Dow Jones underperformed, falling -0.2%.
- European markets were less convinced by the durability of a peace deal, with the Euro Stoxx 50 declining -1.2%. The FTSE 100 was more resilient, rising 0.2% to record its sixth consecutive daily gain. Asian markets were also mixed, with the KOSPI outperforming, up 2.6%, while the Hang Seng was flat and the Nikkei 225 fell -0.2%. Locally, the ASX 200 declined -0.4% as Middle East optimism faded.
- US bond markets rallied as Middle East optimism capped oil price gains, with the yield curve steepening. The 2 year yield fell 9bps and the 10 year declined 7bps. Futures markets are now pricing the first Fed rate hike by March 2027.
- Australian government bond yields rose across the curve following reports of US and Israeli strikes on Iranian assets. The 3 year and 10 year yields both increased 3bps, with swap markets pricing one full rate hike by November, taking the implied terminal cash rate for year end to 4.62%.
- FX markets saw modest USD weakness, with the DXY down -0.1%. The euro (-0.1%), sterling (-0.4%) and yen (-0.2%) all declined against the greenback, while the Australian dollar also eased -0.1% to 0.7169. The AUD performed better on crosses, although was little changed against the euro.
- Commodity markets were driven by shifting headlines out of the Middle East. Brent rose 3.6% to US$99.6/bbl, while Dated Brent remained at a premium at US$104/bbl, and WTI declined -3.1%. Gold fell -1.4% as renewed tensions lifted expectations for higher policy rates. Iron ore declined -1.6%, reversing the prior days gains alongside coking coal following a coal mine blast in China's Shanxi province, with weaker underlying fundamentals returning to focus.

Today's key data and events

Time	Event	Exp	Prev
10:30	AU Westpac-MI Leading Index Apr	-	-0.1%
11:30	AU Monthly CPI Indicator Apr	4.4%	4.6%
11:30	AU Construction Work Done Q1	0.8%	-0.1%
11:30	CN Industrial Profits Apr	-	15.8%
12:00	NZ RBNZ Policy Decision 27/05/2026	2.2%	2.2%
0:00	US Richmond Fed May	4pts	3pts

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.

International Data

The Conference Board Consumer Sentiment Survey suggested that US consumers became more pessimistic this month, breaking the trend of improving sentiment seen since the start of the year. The headline index eased from 93.8 to 93.1, leaving it below both its long-term average of 95.1 and last year's average of 96.1. Consumers' assessment of current economic conditions deteriorated slightly, though it remained well above historical norms, while the expectations index rose by one point to a five-month high. Assessment of labour market conditions also softened slightly from the prior month but remained broadly in line with recent readings.

New data from the regional Feds suggested some stabilisation in US economic momentum following the hit to activity from the Middle East war and higher energy prices. **The Chicago Fed Activity Index** – a composite measure based on 85 monthly indicators tracking US economic growth relative to trend – rose from -0.15 in March to 0.14 in April, driven by a rebound in production. In contrast, the personal consumption and housing, and labour market components were somewhat weaker. Meanwhile, **the Dallas Fed Manufacturing Outlook Index**, a survey of Texas business executives, returned to positive territory in May after two negative readings in March and April. The index rose to 0.4, its highest level in ten months and broadly consistent with its long-term average. The survey also pointed to rising underlying inflationary pressures, with prices paid for raw materials increasing to their highest level in eight months.

The latest March readings for the US house price indices again underscored the fragility of the housing market amid elevated interest rates and an uncertain economic outlook. The **FHFA House Price Index** rose just 0.1%mth, reversing a decline of the same magnitude in February, while the **S&P Cotality CS 20-City Index** fell for a second consecutive month, declining 0.2%mth. On a year-ended growth basis, the two indices rose 1.7%yr and 0.8%yr, respectively. For the FHFA measure, this marked the slowest annual growth pace since 2012.

Local Data

There was no top tier economic data to report.

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