



3 June 2026

MORNING REPORT

Today's economic developments and market movements.

Key themes

Markets continue watching developments in the Middle East, with President Trump insisting that reports of a collapse in negotiations between the US and Iran are "false and erroneous".

But amid the uncertainty and confusion about the true state of the talks, investors are increasingly turning back to other themes, particularly AI.

Tech stocks, along with the energy sector, rose in the US equity market, but that was enough for only a 0.1% gain in the S&P 500. The ASX 200 opened significantly lower but later pared its losses.

Bunds rallied despite higher euro area inflation. JGBs outperformed as a successful JGB bond auction offered some reassurance to investors. Aussie yields were little changed ahead of today's Australian National Accounts release for Q1.

Oil prices rose for a second consecutive day, seemingly starting to reverse the downward trend seen in the second half of May.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	66.6	-0.3%
AUD/USD	0.7180	0.3%
AUD/JPY	114.81	0.5%
AUD/GBP	0.5332	0.2%
AUD/NZD	1.2112	0.4%
AUD/EUR	0.6173	0.3%
AUD/CNH	4.8557	0.2%
AUD/SGD	0.9183	0.4%
AUD/HKD	5.6269	0.3%
AUD/CAD	0.9937	0.3%
EUR/USD	1.1632	0.0%
USD/JPY	159.90	0.2%
USD Index	99.20	0.0%

Equities	Close	Change
S&P/ASX 200	8,724	-0.1%
S&P 500	7,610	0.1%
Japan Nikkei	66,734	-0.3%
Hang Seng	26,038	2.5%
Euro Stoxx 50	6,108	1.2%
UK FTSE100	10,374	0.3%
VIX Index	15.77	-1.7%

Commodities	Current	Change
CRB Index	388.98	0.8%
Gold	4488.86	0.1%
Copper	14040	1.5%
Oil (WTI futures)	93.76	1.7%
Coal (coking)	243.50	-0.6%
Coal (thermal)	144.80	-0.9%
Iron Ore	104.80	0.7%
ACCU	36.13	-4.3%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	4.35	0.00
90 day BBSY	4.51	0.00
180 day BBSY	4.89	0.02
1 year swap	4.62	0.01
2 year swap	4.60	0.02
3 year swap	4.56	0.03
4 year swap	4.56	0.03
5 year swap	4.58	0.03
6 year swap	4.62	0.03
7 year swap	4.66	0.03
8 year swap	4.71	0.03
9 year swap	4.76	0.03
10 year swap	4.80	0.02

Government Bond Yields	Close	Change
Australia		
3 year bond	4.53	0.01
10 year bond	4.88	0.00
United States		
3-month T Bill	3.61	-0.01
2 year bond	4.04	0.01
10 year bond	4.44	-0.01
Other (10 year yields)		
Germany	2.98	-0.03
Japan	2.58	-0.11
UK	4.86	-0.04

Sydney Futures Exchange	Current	Change
10 yr bond	4.94	0.03
3 yr bond	4.57	0.03
3 mth bill rate	4.50	0.01
SPI 200	8,789	0.4%

Data as at 7:30am 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

Developments in the Middle East remain a key driver of financial markets, with President Trump insisting that reports of a collapse in negotiations between the US and Iran are “false and erroneous”. But amid this uncertainty and confusion about the true state of the talks, investors are increasingly turning back to other themes, particularly AI. Against this backdrop, equities rose, most currencies appreciated slightly, and yields were mostly lower, despite a modest increase in oil.

- Tech stocks, along with the energy sector, rose in the US equity market. While that was enough for only a 0.1% gain in the S&P 500, the index recorded a tenth consecutive close in the green. The Euro Stoxx 50 outperformed, rising 1.2% after three consecutive days in the red, while the FTSE 100 in the UK also gained 0.3%. Asian markets were more mixed, with Chinese and HK stocks posting stronger gains, while Japan’s Nikkei 225 fell 0.3%. The ASX 200 opened significantly lower but later pared its losses to finish the day just 0.1% down.
- In bond markets, the US Treasury yield curve flattened, with the short end rising by about 1bp after JOLTS reported a significant increase in US job vacancies, while the long end ticked down 1bp. Bunds rallied despite the flash euro area HICP data for May confirming higher inflation. The German 10Y yield fell 3bp, while the equivalent Gilt yield declined 4bp. JGBs outperformed, with the 10Y yield falling 11bp, as a successful JGB bond auction offered some reassurance to investors concerned about the recent surge in Japanese yields. Aussie yields were little changed ahead of today’s Australian National Accounts release for Q1.
- Having appreciated in the first half of May, the DXY has broadly held those levels since then, and it continued to trade sideways overnight, remaining at 99.2. The EUR also moved sideways, while GBP appreciated 0.1%. The yen eased 0.2%, approaching 160. The AUD rose 0.3%, reversing losses recorded at the start of the week.
- In commodity markets, oil prices rose for a second consecutive day, seemingly starting to reverse the downward trend seen in the second half of May. The July WTI contract traded 1.7% higher at \$93.8, while the August Brent future was up by less than 1% to \$95.8. Gold prices were little changed, but copper climbed above \$14,000 as supply constraints and firm demand appeared to outweigh risks stemming from the Middle East conflict.

International Data

In May, the **euro area HICP inflation** extended the upward trend which was seen since the start of the year and really picked up in March and April when increased energy prices

Today’s key data and events

Time	Event	Exp	Prev
8:45	NZ Terms Of Trade Q1	-1.0%	3.7%
8:45	NZ Building Permits Apr	-	-1.3%
11:30	AU GDP Q1	0.4%	0.8%
11:30	AU GDP Q1	2.6%	2.6%
19:00	EZ PPI Apr	0.6%	3.4%
22:15	US ADP Employment Change May	120k	109k
0:00	US Factory Orders Apr	4.6%	1.5%
0:00	US ISM Non-Manufacturing May	53.8pts	53.6pts
0:00	US Durable Goods Orders Apr Final	7.9%	7.9%

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.

pushed energy inflation higher. According to the flash estimate, the headline rate rose 0.2ppt to 3.2%, in line with consensus expectations and consistent with the latest ECB baseline projections published in March. Energy prices rose 10.9%yr, only slightly higher than in April, as fuel excise cuts across multiple member states softened the impact of higher oil prices. Meanwhile, the core rate rose 0.3ppt to 2.5%yr, with both services and goods inflation moving higher, suggesting that energy price pressures may be starting to spread into core items. The core measure is now tracking well above the ECB baseline of 2.2%yr for Q2 and is closer to the severe scenario, which envisaged 2.4%yr. This is likely to add to the urgency for the ECB to act, reinforcing expectations of a rate hike at next week’s policy meeting.

JOLTS job openings in the US unexpectedly surged by 731k in April to 7.62mn, the highest level in two years. The increase was heavily concentrated in professional and business services, where openings rose by 688k. By contrast, other sectors that are typically more sensitive to the economic cycle, including retail trade and leisure and hospitality, recorded declines. The job flows data also pointed to a lower rate of job separation, while the ratio of job openings to unemployment – an important measure of labour market slack – recovered to 1.03, its highest level in more than a year.

Local Data

Following the releases of the latest partial indicators, we have revised our expectation for Q1 GDP lower. We expect **the National Accounts** to show that Australia’s economy expanded just 0.3% over Q1 2026 and 2.4% in year-ended terms ([see here](#)).

The Fair Work Commission’s 2026 Annual Wage Review handed down a 4.75% increase in the minimum wage and modern award wage rates from 1 July 2026 ([see here](#)).

Total dwelling approvals fell 3.4%*mtm* in April, with the annual pace lifting to 10.2%*yr*. Approvals look to have normalised back towards the 2025 average monthly run rate following February’s surge ([see here](#)).



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