12 June 2026

MORNING REPORT

Today's economic developments and market movements.

Key themes

Markets reversed late in the US session after President Trump cancelled planned attacks on Iran, suggesting a deal could be signed as soon as this weekend. The shift followed earlier threats to strike Iran "VERY HARD" and seize its oil infrastructure, easing immediate escalation concerns.

US equities rallied sharply on the reversal, with the S&P 500 posting its strongest gain in two months, while SpaceX raised $75bn in its IPO. European equities advanced, while Asian and local markets were mixed.

Bond yields declined as oil prices fell, with US Treasury yields lower across the curve and Bund yields falling following the ECB's 25bp rate hike.

The USD weakened on the latest developments, with the DXY lower and the AUD rising against the USD and other major currencies.

Oil prices fell sharply as geopolitical tensions eased, with Brent dropping back below US$90/bbl, while gold partly recovered recent losses.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	65.5	-0.2%
AUD/USD	0.7046	0.7%
AUD/JPY	112.70	0.4%
AUD/GBP	0.5249	0.4%
AUD/NZD	1.2070	0.1%
AUD/EUR	0.6084	0.4%
AUD/CNH	4.7668	0.5%
AUD/SGD	0.9054	0.4%
AUD/HKD	5.5218	0.7%
AUD/CAD	0.9837	0.7%
EUR/USD	1.1580	0.4%
USD/JPY	159.94	-0.4%
USD Index	99.70	-0.2%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	4.36	-0.01
90 day BBSY	4.52	0.01
180 day BBSY	4.90	-0.01
1 year swap	4.54	-0.04
2 year swap	4.47	-0.06
3 year swap	4.42	-0.07
4 year swap	4.42	-0.06
5 year swap	4.45	-0.06
6 year swap	4.50	-0.06
7 year swap	4.56	-0.06
8 year swap	4.61	-0.06
9 year swap	4.66	-0.05
10 year swap	4.71	-0.05

Equities	Close	Change
S&P/ASX 200	8,633	-0.2%
S&P 500	7,394	1.8%
Japan Nikkei	64,217	0.1%
Hang Seng	24,249	-0.7%
Euro Stoxx 50	6,057	0.8%
UK FTSE100	10,304	0.5%
VIX Index	19.44	-12.5%

Government Bond Yields	Close	Change
Australia		
3 year bond	4.50	-0.01
10 year bond	4.90	0.00
United States		
3-month T Bill	3.62	-0.01
2 year bond	4.06	-0.08
10 year bond	4.46	-0.09
Other (10 year yields)		
Germany	3.03	-0.04
Japan	2.69	0.00
UK	4.91	-0.03

Commodities	Current	Change
CRB Index	369.75	-1.0%
Gold	4185.40	3.4%
Copper	13482	-0.2%
Oil (WTI futures)	87.71	-2.6%
Coal (coking)	245.00	-0.4%
Coal (thermal)	147.50	0.3%
Iron Ore	101.75	-0.2%
ACCU	36.13	-4.3%

Sydney Futures Exchange	Current	Change
10 yr bond	4.85	-0.06
3 yr bond	4.43	-0.07
3 mth bill rate	4.54	0.01
SPI 200	8,794	1.7%

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.

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Financial Markets

Markets were initially subdued overnight, before an abrupt reversal over the Middle East conflict late in the US session prompted a sharp shift in sentiment. Local, Asian and European markets were initially dominated by headlines that the US had conducted limited strikes against Iran early Thursday morning, alongside indications from President Trump that he would again strike Iran "VERY HARD" and seize its oil infrastructure.

That backdrop later changed after President Trump announced he had cancelled the attacks, citing the latest discussions had been "brought to the highest level of Iranian leadership". The announcement sent US equities soaring and drove Brent crude back below US$90/bbl. Trump told reporters that a signing could take place as soon as this weekend, with Vice President Vance in attendance, although reports from Iran suggested Iranian leaders are yet to approve the text of any agreement.

Elsewhere, the ECB delivered a 25bp hike across all three policy rates, with President Lagarde indicating policymakers had little doubt about the need to tighten.

- Equities were defined by Middle East headlines. US equities outperformed late in the session after President Trump reversed recent rhetoric on attacking Iran. The S&P 500 gained 1.8% — its best performance in two months — while the Dow Jones rose 1.9% and the NASDAQ increased 2.5%. In the meantime, SpaceX's IPO raised $75bn, valuing the company at $1.8trn and making it the largest IPO in history, double that of Saudi Aramco's $29.4bn listing.
- European equities advanced, with the Euro Stoxx 50 up 0.8% and the FTSE 100 higher by 0.5%. Asian and local equity markets were mixed. The Hang Seng fell -0.7%, while the Nikkei 225 and KOSPI proved more resilient, rising 0.1% and 0.4% respectively. The ASX 200 partially unwound the previous day's gains, declining -0.2%.
- US Treasury yields softened as oil prices fell. The US 2 year Treasury yield fell 8bp, while the 10 year yield declined 9bp. Futures markets now view a Fed rate hike in 2026 as less likely, with a hike no longer fully priced. Elsewhere, the 10 year Bund yield fell 4bp following the ECB decision.
- Australian government bond yields were little changed, with the 3 year yield down 1bp and the 10 year yield steady. Swap markets remain reluctant to fully price further RBA tightening this year.
- FX markets reflected some USD weakness following the latest developments, with the DXY down -0.2% to 99.70. The AUD gained 0.7% against the USD to end the session at 0.7046, and was also firmer against other majors, rising 0.4% against the euro, sterling and yen.

Today's key data and events

Time	Event	Exp	Prev
8:30	NZ Manufacturing PMI May	-	50.5pts
8:45	NZ Net Migration Apr	-	3370k
14:30	JP Industrial Production Apr Final	-	0.8%
16:00	GB Trade Balance Apr	-£5743.5b	-£9658b
0:00	US Uni. Of Michigan Sentiment Jun Prel.	46pts	44.8pts

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.

- Commodities reacted sharply to President Trump's latest reversal. Brent fell -4.3% to finish the session below US$90/bbl at US$89.1/bbl, while WTI declined -2.6% to US$87.7/bbl. Gold recovered some of its recent losses, rising 3.4%, although it failed to fully offset Wednesday's decline. Copper slipped -0.2%, aluminium rose 1.0%, and iron ore fell -0.2%.

International Data

The **ECB** is now officially back in tightening mode. The outcome of the June Governing Council meeting was fully in line with both our expectations and market pricing, delivering a 25bp increase across all three policy rates. In the press conference, President Lagarde indicated that policymakers had little doubt about the need to tighten policy at this meeting, with the decision taken unanimously.

The policy statement was explicit that this shift is a response to inflationary pressures stemming from the war in the Middle East, which, looking ahead, will depend on "the intensity and duration of the energy price shock, as well as the scale of its indirect and second-round effects".

The ECB's new economic projections, which included an updated baseline, two stress scenarios and a milder scenario, illustrated the range of possible effects the war could have on the economy. The baseline projected GDP growth of 0.8%yr this year and 1.2%yr next year, with both estimates revised 0.1ppt lower. Meanwhile, the adverse and severe stress scenarios pointed to materially weaker growth in the near term, with the economy slipping into a technical recession in both.

On inflation, the baseline outlook now sees inflation peaking at 3.4%yr, up from 3.1%yr previously, and remaining elevated for longer. The adverse and severe scenarios showed headline HICP inflation peaking at 4.1%yr and 6.3%yr respectively.

President Lagarde's comments confirmed that inflationary momentum is broadening, suggesting that a single 25bp hike is unlikely to be sufficient, and so we continue to expect a further policy tightening, most likely in September.

US initial jobless claims were little changed last week at 229k, compared to 225k the week prior.

The **US PPI** surprised to the upside in May at 1.1%, though April's downward revision (0.7% from 1.0%) largely offset. Ex food and energy, prices rose 0.4%, a touch below the consensus expectation. Over the year, producer prices are up 6.5%, or 4.9% excluding food and energy.

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