



18 June 2026

MORNING REPORT

Today's economic developments and market movements.

Key themes

Markets were mixed, with Kevin Warsh's first FOMC meeting as Chair leaving rates on hold but with a hawkish tilt, as 9 of 18 members forecast a hike this year, prompting a repricing of Fed expectations. Elsewhere, details of the US–Iran MOU continued to emerge, aimed at ending the war and limiting Iran's nuclear program.

Equities were mixed, with US markets declining on expectations of further Fed tightening, while other regions fared better on improved Middle East sentiment.

US Treasury yields moved higher, led by a 13bp rise in the 2-year yield, as markets repriced the Fed path to expect another hike this year, with October seen as the likely timing.

The USD strengthened broadly on the hawkish Fed repricing.

Commodities were mixed, with Brent lower and WTI higher, while gold declined sharply on repriced Fed expectations and iron ore fell below US\$100/t.

Data snapshot

FX Last 24 hrs	Current	Change	AUS Interest Rate Swaps	Last	Change
TWI	65.7	0.0%	30 day BBSY	4.35	0.00
AUD/USD	0.7013	-0.8%	90 day BBSY	4.52	0.00
AUD/JPY	112.66	-0.6%	180 day BBSY	4.89	-0.01
AUD/GBP	0.5277	0.2%	1 year swap	4.56	0.03
AUD/NZD	1.2154	0.3%	2 year swap	4.49	0.05
AUD/EUR	0.6097	0.2%	3 year swap	4.43	0.04
AUD/CNH	4.7512	-0.5%	4 year swap	4.37	0.00
AUD/SGD	0.9037	-0.3%	5 year swap	4.40	0.00
AUD/HKD	5.4951	-0.7%	6 year swap	4.44	-0.01
AUD/CAD	0.9888	0.0%	7 year swap	4.49	-0.01
EUR/USD	1.1502	-0.9%	8 year swap	4.55	-0.01
USD/JPY	160.65	0.1%	9 year swap	4.60	-0.01
USD Index	100.39	0.9%	10 year swap	4.64	-0.01

Equities	Close	Change	Government Bond Yields	Close	Change
S&P/ASX 200	8,966	0.5%	Australia		
S&P 500	7,420	-1.2%	3 year bond	4.38	-0.04
Japan Nikkei	69,902	0.7%	10 year bond	4.77	-0.06
Hang Seng	24,312	-0.7%	United States		
Euro Stoxx 50	6,300	0.7%	3-month T Bill	3.67	0.04
UK FTSE100	10,509	0.1%	2 year bond	4.18	0.13
VIX Index	18.44	12.4%	10 year bond	4.49	0.05
			Other (10 year yields)		
Commodities	Current	Change	Germany	2.93	0.00
CRB Index	364.45	0.5%	Japan	2.60	-0.04
Gold	4256.93	-1.7%	UK	4.75	-0.04
Copper	13814	0.3%			
Oil (WTI futures)	76.79	1.0%	Sydney Futures Exchange	Current	Change
Coal (coking)	244.00	0.1%	10 yr bond	4.84	0.04
Coal (thermal)	135.35	-0.1%	3 yr bond	4.43	0.06
Iron Ore	99.40	-2.0%	3 mth bill rate	4.54	0.00
ACCU	36.13	-4.3%	SPI 200	8,909	-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.



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Financial Markets

Markets were mixed overnight, with Kevin Warsh's first meeting as Fed Chairman taking centre stage. The FOMC voted unanimously to leave the federal funds rate unchanged, though markets focused on the hawkish tilt with 9 of 18 members forecasting at least one hike this year, although Warsh himself declined to submit a rate forecast. Markets moved to reprice expectations of a more dovish Fed under Warsh, with US equities declining, the USD strengthening, and front-end Treasury yields rising sharply.

Elsewhere, details of the 14-point MOU between the US and Iran continue to emerge, with Trump suggesting it could be signed as early as Thursday, paving the way for talks to end the war permanently and limit Iran's nuclear program.

- Equities were mixed across regions. In the US, the FOMC decision dominated, with stocks falling on expectations the Fed may still hike rates this year. The S&P 500 fell -1.2%, the NASDAQ declined -1.3%, and the Dow Jones lost -1.0%.
- Other regions were supported by improved Middle East sentiment. The Euro Stoxx 50 gained 0.7%, while the FTSE 100 rose 0.1%. Asian markets saw the Nikkei 225 rise 0.7% as the BoJ's rate hike supported financial stocks, while the Hang Seng declined -0.7%. The ASX 200 rose 0.5%.
- US Treasury yields moved higher as markets repriced the expected Fed policy path. Short-end yields saw the largest moves, with the 2 year yield rising 13bps, while the 10 year rose 5bps. Futures markets are now fully pricing one additional rate hike this year, with October suggested as the likely timing, taking the implied year end rate to 4.02%.
- Australian government bond yields declined ahead of the FOMC meeting, with the 3 year yield down 4bps and the 10 year yield falling a sharper 6bps. Swap markets remain reluctant to fully price further RBA tightening this year.
- FX markets saw the US dollar strengthen broadly. The DXY rose 0.9%, while the AUD fell -0.8% to 0.7013, with most majors also lower against the greenback.
- Oil was mixed, with Brent declining -0.3% to US\$78.8/bbl, while WTI rose 1.0% to US\$76.8/bbl. Gold declined sharply following the FOMC meeting, falling -1.7% as markets repriced Fed tightening risks. Iron ore declined -2.0% to below US\$100/t as transient price support continues to fade.

International Data

The first FOMC meeting with Kevin Warsh as Chair was largely as anticipated, with communication on the state of the economy and outlook kept tight and Chair Warsh focused on the practices of the Committee and the Federal Reserve more

Today's key data and events

Time	Event	Exp	Prev
8:45	NZ GDP Q1	0.8%	0.2%
16:00	GB ILO Unemployment Rate Apr	5.0%	5.0%
21:00	GB BoE Policy Decision	3.8%	3.8%
22:30	US Initial Jobless Claims	225k	229k
22:30	US Philly Fed Jun	10pts	-0.4pts
0:00	US Leading Index May	0.1pts	0.1pts

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.

broadly. A large portion of the press conference was given over discussion of five task force streams across communications, the Fed's balance sheet, data sources, productivity and jobs, and the Fed's inflation framework.

On the current state of the economy, the labour market was characterised as largely in balance. Economic activity was also said to be expanding at a "solid pace", with productivity and capital investment "strong". The wording on inflation was blunt, Warsh making clear the Committee "will deliver price stability".

Regarding the near-term policy outlook, the market showed concern over 9 of 18 respondents expecting at least one rate hike by year end. However, in the press conference, Chair Warsh made clear the degree of uncertainty participants felt in coming to these views. Also, at least with respect to energy prices, in recent days risks have begun to recede. It is also important to highlight that the fed funds projection for end-2027 is the current rate of 3.625% and the end-2028 median 25bps lower at 3.375%. Chair Warsh refrained from personally offering point forecasts, consistent with his position on forward guidance.

Overall, if the US/Iran deal holds over coming months, the FOMC will most likely keep policy on hold. But, if the conflict flares again and/or there is evidence of secondary impacts in prices or expectations, the FOMC is willing to hike to bring inflation back to the 2.0%yr target.

US retail sales beat expectations in May, headline sales rising 0.9% and the control group 0.7%. These are robust outcomes, but being nominal data are helped by elevated inflation.

US pending home sales were strong in May, up 3.8% after an extended period of weakness. Over the year, sales are only 2.1% higher.

Euro Area inflation met expectations in the final estimate for May, prices rising 0.1% in the month and 3.2%yr. Core inflation is 2.6%yr.

UK inflation was softer than expected, prices rising 0.2% in May and 2.8% over the year. Core inflation was largely unchanged at 2.6%yr, with services inflation printing at 3.7%yr.

Local Data

In Australia, the **Westpac-MI Leading Index** edged up to 0.17% in May from 0.18% in April, pointing to a gradual loss of momentum (see [here](#)).



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