22 June 2026

MORNING REPORT

Today's economic developments and market movements.

Key themes

The US exchanges were shut on Friday for Juneteenth National Independence Day, but global markets turned more downbeat at the end of last week.

Iran postponed the talks with the US, originally planned to start on Friday, and again threatened to close the Strait of Hormuz in response to Israel's latest attacks against Hezbollah in Lebanon.

Mediation efforts by Qatar and Pakistan eventually convinced Iran to begin negotiations on Sunday, but the episode again illustrated the fragility of the current status quo.

In Europe, equities and major government bonds sold off. Gilts underperformed as investors factored in the likelihood of increased UK political instability following Andy Burnham's by-election victory, which opened him a path to challenge PM Starmer.

The delay to the US-Iran talks put fresh upward pressure on oil prices, however, it was largely offset by reports that oil flows through the Strait of Hormuz are picking up.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	65.6	-0.2%
AUD/USD	0.7013	0.0%
AUD/JPY	113.10	-0.1%
AUD/GBP	0.5315	-0.2%
AUD/NZD	1.2233	0.2%
AUD/EUR	0.6119	-0.1%
AUD/CNH	4.7579	0.1%
AUD/SGD	0.9059	0.1%
AUD/HKD	5.4962	0.0%
AUD/CAD	0.9934	0.1%
EUR/USD	1.1460	0.1%
USD/JPY	161.27	0.0%
USD Index	100.85	0.0%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	4.35	-0.01
90 day BBSY	4.52	0.00
180 day BBSY	4.88	-0.02
1 year swap	4.56	0.01
2 year swap	4.49	-0.01
3 year swap	4.45	-0.01
4 year swap	4.44	0.03
5 year swap	4.46	0.03
6 year swap	4.51	0.04
7 year swap	4.56	0.04
8 year swap	4.61	0.04
9 year swap	4.66	0.04
10 year swap	4.71	0.04

Equities	Close	Change
S&P/ASX 200	8,829	-0.9%
S&P 500	7,501	1.1%
Japan Nikkei	71,250	0.3%
Hang Seng	23,925	-1.6%
Euro Stoxx 50	6,293	-0.5%
UK FTSE100	10,363	-0.4%
VIX Index	16.78	2.3%

Commodities	Current	Change
CRB Index	362.07	-0.7%
Gold	4155.71	-1.3%
Copper	13595	-0.7%
Oil (WTI futures)	77.54	-0.2%
Coal (coking)	243.00	0.0%
Coal (thermal)	130.65	0.1%
Iron Ore	98.80	-0.6%
ACCU	36.13	-4.3%

Government Bond Yields	Close	Change
Australia		
3 year bond	4.46	0.04
10 year bond	4.81	0.04
United States		
3-month T Bill	3.66	-0.01
2 year bond	4.18	0.00
10 year bond	4.45	0.00
Other (10 year yields)		
Germany	2.99	0.06
Japan	2.66	0.04
UK	4.84	0.09

Sydney Futures Exchange	Current	Change
10 yr bond	4.86	0.02
3 yr bond	4.45	0.00
3 mth bill rate	4.54	0.00
SPI 200	8,812	-0.2%

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

The US exchanges were shut on Friday for Juneteenth National Independence Day, but global markets turned more downbeat at the end of an action-packed week for monetary policy, which saw the first FOMC meeting with Kevin Warsh in the Chair's seat, the RBA leave interest rates unchanged while leaning against the idea that the hiking cycle is over, the BoJ raise its policy rate by 25bp and signal further tightening ahead, and the Bank of England maintain a hawkish tone.

Following the signing of the Memorandum of Understanding between the US and Iran last week, the two countries were due to begin the next stage of negotiations over a permanent peace deal on Friday. However, Iran postponed the talks and again threatened to close the Strait of Hormuz in response to Israel's latest attacks against Hezbollah in Lebanon, which Iran claims violate the commitments made under last week's agreement. While mediation efforts by Qatar and Pakistan eventually convinced Iran to begin negotiations on Sunday, the episode again illustrated the fragility of the current status quo.

The negotiations will undoubtedly remain centre stage this week, while the international economic calendar looks somewhat lighter. Domestically, however, May CPI and labour market data releases on Wednesday and Thursday will be watched closely.

- In Europe, equities traded mostly in the red, with news of the postponement of the US-Iran talks dragging sentiment lower. The Euro Stoxx 50 fell 0.5%, marking its first daily loss in nine days. The FTSE 100 in the UK was down 0.4%. The Nikkei 225 in Japan continued to gain, but most other major Asian benchmark indices recorded losses. The domestic ASX 200 was down almost 1.0%. It remains 4% below the levels seen before the US-Iran conflict began at the end of February and is up only 1.3% on a year-to-date basis, underperforming other major global benchmarks, as higher interest rates in Australia and a softening growth outlook weigh on equity valuations.
- European government bonds sold off. The 10Y Bund yield was up 6bp, trading just below the 3% mark. Gilts underperformed, with the 10Y yield up 9bp to 4.84%, as investors factored in the likelihood of increased political instability in the UK. Andy Burnham's by-election victory secured him a seat in the UK Parliament and opened the way for him to challenge PM Keir Starmer's leadership and potentially replace him. While Burnham has yet to fully detail his policy proposals, markets see him as more left-wing than Starmer, implying greater pressure on UK public finances going forward.

Today's key data and events

Time	Event	Exp	Prev
0:00	EZ Consumer Confidence Jun Prel.	-17.8pts	-19pts

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.

- Domestic yields also ended the week higher. The whole curve shifted about 4bp higher, with the 10Y reaching 4.81%. Financial markets are pricing a higher likelihood of a further RBA rate increase this year, which now stands at about two-thirds, up from less than half in the middle of last week.
- Major currencies were little changed – the EUR and GBP gained 0.1% and 0.2%, respectively, while the yen and the Aussie dollar moved sideways.
- In commodity markets, the delay to the US-Iran talks put fresh upward pressure on oil prices. However, this was largely offset by reports that oil flows through the Strait of Hormuz are picking up, with estimates putting transit volumes in recent days at around 20mn barrels. Against this backdrop, the WTI July contract was little changed at $77.5.

International Data

UK retail sales rose 1.2%mth in May, beating expectations for a 0.5%mth increase. Online sales drove the gain, with non-store retailing up 6.1%mth. Fuel sales were little changed, rising just 0.3%mth, having been very volatile in recent months. The latest increase in total sales followed a 1.0%mth decline in April, meaning the two months combined imply a 0.3% fall so far in Q2. That would mark a sharp loss of momentum after a 1.4% gain in Q1. The **GfK consumer confidence survey** reported unchanged UK consumer sentiment in June, with the headline index moving sideways at -23, well below last year's average. As such, a sharp change in fortunes at the end of this quarter looks unlikely.

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