1 July 2026

MORNING REPORT

Today's economic developments and market movements.

Key themes

The US and Iran are set for indirect talks in Doha, although both sides continue to face challenges in implementing the MoU, with key issues including the release of frozen Iranian assets and the future management of the Strait.

Equities closed the quarter on solid footing, with the S&P 500 and Euro Stoxx 50 recording their best quarterly performances since 2020, while Asian markets posted their strongest quarterly gains since 2009.

US Treasuries moved lower, with yields rising across the curve.

The USD reversed its recent decline, while the AUD outperformed, rising against the greenback as well as other major currencies.

Oil prices declined as shipping activity through the Strait continued to increase, while aluminium extended its recent decline as markets priced a rapid return of Middle Eastern supply.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	64.6	-0.3%
AUD/USD	0.6919	0.5%
AUD/JPY	112.48	0.9%
AUD/GBP	0.5217	0.4%
AUD/NZD	1.2185	0.0%
AUD/EUR	0.6058	0.5%
AUD/CNH	4.6991	0.3%
AUD/SGD	0.8953	0.5%
AUD/HKD	5.4269	0.5%
AUD/CAD	0.9822	0.4%
EUR/USD	1.1422	0.0%
USD/JPY	162.55	0.4%
USD Index	101.16	0.1%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	4.36	0.02
90 day BBSY	4.51	0.00
180 day BBSY	4.85	-0.01
1 year swap	4.50	0.00
2 year swap	4.45	0.03
3 year swap	4.39	0.02
4 year swap	4.35	0.00
5 year swap	4.37	0.00
6 year swap	4.41	0.00
7 year swap	4.46	0.00
8 year swap	4.51	0.00
9 year swap	4.56	0.00
10 year swap	4.61	0.00

Equities	Close	Change
S&P/ASX 200	8,779	-0.5%
S&P 500	7,499	0.8%
Japan Nikkei	70,062	0.9%
Hang Seng	22,881	-0.6%
Euro Stoxx 50	6,328	1.5%
UK FTSE100	10,497	0.1%
VIX Index	16.45	-6.8%

Commodities	Current	Change
CRB Index	353.61	0.7%
Gold	4008.38	-0.2%
Copper	13375	0.7%
Oil (WTI futures)	70.06	-1.0%
Coal (coking)	243.25	0.0%
Coal (thermal)	129.45	1.6%
Iron Ore	98.75	0.2%
ACCU	36.13	-4.3%

Government Bond Yields	Close	Change
Australia		
3 year bond	4.36	-0.02
10 year bond	4.72	-0.03
United States		
3-month T Bill	3.72	0.00
2 year bond	4.17	0.07
10 year bond	4.47	0.09
Other (10 year yields)		
Germany	2.86	0.00
Japan	2.68	0.04
UK	4.76	0.04

Sydney Futures Exchange	Current	Change
10 yr bond	4.80	0.05
3 yr bond	4.39	0.04
3 mth bill rate	4.51	0.00
SPI 200	8,782	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 ended the quarter on a positive note. US and Asian equities recorded strong gains over the quarter, supported by AI optimism, easing tensions in the Middle East and ongoing economic resilience. Elsewhere, the US and Iran are preparing for indirect talks in Qatar, although Iran's foreign ministry noted there remain "serious challenges" around implementing the MoU. Key sticking points include the release of frozen Iranian assets and the future management of the Strait.

- In the US, the S&P 500 gained 0.8% overnight, capping its best quarterly performance since 2020. The Dow Jones rose a more modest 0.3%, while the NASDAQ outperformed, up 1.5%. European equities also advanced, with the Euro Stoxx 50 gaining 1.5% on the day to record its best quarter since 2020, while the FTSE 100 rose 0.1%.
- Asian equities recorded their strongest quarterly performance since 2009. The KOSPI gained 1.0% and the Nikkei 225 rose 0.9%, while the Hang Seng slipped -0.6%. In contrast, the ASX 200 underperformed, posting its smallest first-half gain since 2003 and declining -0.5% on the day.
- US Treasuries moved lower, with the 2-year yield rising 7bps and the 10-year yield increasing a larger 9bps. Futures markets continue to fully price an additional Fed hike this year, with October now seen as the most likely timing.
- Australian government bond yields declined, with the 3-year yield down 2bps and the 10-year yield falling 3bps. Swap markets imply a terminal cash rate of around 4.47% this year, with markets still unconvinced another RBA hike will be delivered.
- FX markets saw the USD reverse its recent decline, with the DXY rising 0.1%. The AUD gained 0.5% against the greenback to 0.6919. The euro and sterling were unchanged against the USD, while the yen fell -0.4%.
- Oil prices declined as shipping activity through the Strait continued to rise. Brent fell -0.3% to US$72.9/bbl, while WTI declined -1.0% to US$70.1/bbl. Gold was little changed overall, down -0.2%. Copper gained 0.7%, while aluminium fell -0.1%, extending its recent decline as markets price a rapid return of Middle Eastern supply. Iron ore rose 0.2%.

International Data

JOLTS job openings in the US were little changed in May. However, given the surge in the prior month, the vacancies level of 7.59mn remained well above the levels seen in recent months.

The Conference Board Consumer Sentiment Survey suggested that US consumers were slightly more optimistic in June, with the headline index rising to 91.2 from 90.6 in

Today's key data and events

Time	Event	Exp	Prev
9:50	JP Tankan Large Manufacturers Q2	16pts	17pts
10:30	JP Jibun Bank Mnfg PMI Jun Final	-	54.9pts
11:30	AU Dwelling Approvals May	0.0%	-3.4%
11:45	CN Caixin Manufacturing PMI Jun	52pts	51.8pts
16:00	GB Nationwide House Prices Jun	0.0%	-0.6%
18:00	EZ HCOB Manufacturing PMI Jun Final	51.3pts	51.3pts
18:30	GB S&P Manufacturing PMI Jun Final	53.1pts	53.1pts
19:00	EZ HICP Jun Prel.	3.0%	3.2%
22:15	US ADP Employment Change Jun	120k	122k
23:45	US S&P Manufacturing PMI Jun Final	55.7pts	55.7pts
0:00	US ISM Manufacturing Jun	53.8pts	54pts
0:00	US Construction Spending May	0.2%	0.4%

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.

May, the recent trough. Consumers' assessment of current conditions deteriorated, but they were more upbeat about the future. Easing inflation expectations likely supported sentiment, while assessments of labour market conditions softened to their weakest level since the pandemic.

The Chicago Business Barometer weakened by 6pts in June, but at 56.7 it remained slightly above its average so far this year. The decline was driven by new orders and production.

US house prices continued to point to very weak momentum in the housing market. The **FHFA House Price Index** declined 0.1%mth, while the **S&P CoreLogic Case-Shiller 20-City Index** was unchanged (-0.04%mth to two decimal places).

The final estimate of **UK GDP for Q1** was unchanged from the preliminary reading of 0.6%qtr. This marked a significant acceleration from the 0.1%qtr increase recorded in the prior two quarters. Private consumption was the main driver, but gains in government spending and business investment also supported.

China's official NBS PMIs suggested that growth momentum remained positive at the end of Q2. The composite index inched just 0.1ppt higher in June to 50.6. This mainly reflected a 0.3ppt gain in the manufacturing index. The services and construction indicators also rose, although the latter remained in contractionary territory. On a quarterly basis, the composite PMI saw the average value rise by 0.5pts from Q1 to 50.4.

Local Data

Private sector credit continued to expand at a solid pace in May, rising 0.7%mth to lift annual growth to 8.2%yr. The increase was driven by business credit, while housing credit growth slowed (see here).

The **RBA Minutes** suggest the Monetary Policy Board remains concerned about inflation risks in Australia (see here).

In New Zealand, **business confidence** continued to recover as cost pressures eased, with the headline measure rising to 36.6 from 10.0 previously (see here).

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