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# MORNING REPORT

Today's economic developments and market movements.

## Key themes

Concerns of the stability of the peace deal have reemerged after Iran attacked ships crossing the Strait of Hormuz, including a Qatari LNG tanker and a Saudi oil tanker, marking the largest day of attacks since the US-Iran peace deal has been signed.

The US has already moved to revoke the waiver that allows Iran to sell oil on the open market, which has been in place introduced since the signing of the MoU. Just as we go to press, US Central Command has confirmed they have begun launching a series of strikes against Iran.

These developments have seen oil prices jump higher, with Brent up 5.9% to around US\$76/bbl, it's highest since June 24. Concerns over the inflation outlook were in focus, seeing yields jump higher across the globe.

Besides the focus on Middle East developments, today will also see the RBNZ's much-anticipated policy decision and a speech from RBA Assistant Governor (Economic) Sarah Hunter.

## Data snapshot

FX Last 24 hrs	Current	Change
TWI	65.2	0.2%
AUD/USD	0.6924	-0.4%
AUD/JPY	112.29	-0.4%
AUD/GBP	0.5184	-0.2%
AUD/NZD	1.2195	0.0%
AUD/EUR	0.6070	-0.1%
AUD/CNH	4.7117	-0.3%
AUD/SGD	0.8952	-0.4%
AUD/HKD	5.4304	-0.4%
AUD/CAD	0.9829	-0.4%
EUR/USD	1.1407	-0.3%
USD/JPY	162.17	0.0%
USD Index	101.11	0.3%

Equities	Close	Change
S&P/ASX 200	8,804	-0.3%
S&P 500	7,504	-0.4%
Japan Nikkei	68,257	-2.1%
Hang Seng	23,497	-0.5%
Euro Stoxx 50	6,320	-1.2%
UK FTSE100	10,666	0.1%
VIX Index	16.13	3.6%

Commodities	Current	Change
CRB Index	363.09	0.2%
Gold	4106.24	-1.4%
Copper	13366	-0.3%
Oil (WTI futures)	70.44	2.8%
Coal (coking)	239.00	-0.3%
Coal (thermal)	127.90	-0.6%
Iron Ore	97.90	-0.3%
ACCU	36.13	-4.3%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	4.36	0.00
90 day BBSY	4.51	-0.01
180 day BBSY	4.80	0.00
1 year swap	4.50	0.00
2 year swap	4.44	0.03
3 year swap	4.41	0.04
4 year swap	4.39	0.02
5 year swap	4.43	0.03
6 year swap	4.48	0.03
7 year swap	4.54	0.03
8 year swap	4.60	0.04
9 year swap	4.65	0.04
10 year swap	4.70	0.04

Government Bond Yields	Close	Change
<b>Australia</b>		
3 year bond	4.41	0.02
10 year bond	4.82	0.03
<b>United States</b>		
3-month T Bill	3.70	0.00
2 year bond	4.18	0.07
10 year bond	4.55	0.08
<b>Other (10 year yields)</b>		
Germany	2.99	0.04
Japan	2.86	0.03
UK	4.85	0.05

Sydney Futures Exchange	Current	Change
10 yr bond	4.90	0.04
3 yr bond	4.44	0.03
3 mth bill rate	4.50	0.00
SPI 200	8,743	-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

Concerns of the stability of the peace deal have reemerged after Iran fired missiles and drones targeting at least three ships crossing the Strait of Hormuz, including one Qatari LNG tanker and one Saudi oil tanker, both of which reportedly suffered damage. This marks the largest day of attacks since the US-Iran peace deal has been signed, leaving shipowners rightly concerned about whether safe transit through the Strait can feasibly resume. Iran warned that talks on the final deal between the US and Iran will not start if “threats continue”. The US has already moved to revoke the waiver that allows Iran to sell oil on the open market, which has been in place introduced since the signing of the MoU. Just as we go to press, US Central Command has confirmed that they have begun launching a series of strikes against Iran in response. These developments clearly mark a significant disruption to the recovery in oil trade flows, seeing prices jump higher.

Today, all eyes will be on the RBNZ, where markets are expecting the OCR to increase from 2.25% to 2.50%, though such an outcome is far from given.

- US share markets were in a sell-off once again amid a slide in chipmakers, seeing the NASDAQ drop significantly (-1.2%), and drops across the S&P 500 (-0.4%) and Dow Jones (-0.2%). Stocks in Europe also fell under pressure, the Euro Stoxx 50 down 1.2%, while London’s FTSE 100 managed to eke out a modest gain (0.1%).
- Asian stocks were firmly in the red across Tokyo (-2.1%), Shanghai (-1.0%) and Hong Kong (-0.5%). Notably, the KOSPI fell -4.9% after Samsung’s earnings results – a 19-fold increase in quarterly profits that beat analyst expectations was not enough to stave off a rotation out of chipmakers that had already been underway. The ASX 200 slipped 0.3%, led by miners, and futures markets are pointing to another weak open this morning.
- Treasuries slid following renewed strikes in the Strait of Hormuz, which raised concerns over the inflation outlook should oil prices continue to rise, seeing the 2Y yield rise 7bps to 4.18% while the 10Y yield jumped 8bps to 4.55%. markets have brought forward expectations for Fed tightening, with a rate hike now fully priced in by the late-October meeting.
- Yields also rose across Europe and the UK, with the 10Y Bund and Gilt up 5bps and 6bps respectively. Yesterday’s 30-year JGB auction drew its strongest demand since 2019; while that drove a slight fall in yields at the ultra-long-end, 10Y yields continued to march higher, up 3bps.
- ACGBs sold-off during local trading, seeing 3Y and 10Y yields rise 2bps and 3bps to 4.41% and 4.82% respectively, with futures trading extending this move overnight. With

## Today’s key data and events

Time	Event	Exp	Prev
9:50	JP Current Account Balance May	¥4110.5b	¥3907.8b
12:00	NZ RBNZ Policy Decision 8/07/2026	2.50%	2.25%
0:00	US Wholesale Inventories May Final	0.3%	0.3%
5:00	US Consumer Credit May	US\$17.5b	US\$20.7b

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.

the local data calendar offering little for markets to trade on, attention will turn to an upcoming speech from the RBA’s Assistant Governor (Economic), Sarah Hunter, for any fresh policy signals. Heading into the speech, swaps markets are pricing in only a 15% chance of a rate hike in August, and a circa 45% chance of a rate hike before year-end.

- The USD found a solid bid yesterday and overnight amid renewed tensions in the Strait of Hormuz, mostly offsetting the drift lower yesterday as the DXY rose 0.3% back up to 101.1. The index move was centred largely on the Euro and Sterling, which fell -0.3% and -0.2% against the greenback, while the Japanese Yen held broadly steady.
- The Aussie dollar suffered a larger fall, down -0.4% against the greenback to USD0.6925, within recent ranges. Should today’s speech from the RBA’s Hunter provide a more hawkish read on recent data and events, it could spur more positive price action for the Aussie.
- Crude oil prices edged higher during Asian and continued to rise rapidly overnight as markets digested the reignition of tensions and the US’ move to revoke Iran’s waiver to sell oil on the open market. Brent and WTI prices rose 5.9% and 2.8% to US\$76.25/bbl and US\$70.44/bbl respectively, with Brent at its highest since June 24.
- Gold traded with volatility while following the news out of the Middle East, but ultimately, heightened concerns over the US inflation outlook and the repricing toward Fed rate hikes later this year saw bullion finish -1.4% lower on the day. Metals were mixed, with LME copper falling -0.3% on the risk-off mood while LME aluminium edged 0.7% higher.

## International Data

In the US, the **trade deficit** widened from \$54.6bn in April to 77.6bn in May, the largest deficit in a year, driven by a 3.3% increase in imports while exports fell 3.2% in the month. Petroleum exports grew at a slower pace, while a pull-back in non-monetary gold exports weighed on earnings. Imports of AI-related products remain elevated, but other capital and consumer goods also rose strongly, signalling inventory rebuild.

The **NY Fed Survey of Consumer Expectations** signalled that consumer inflation expectations moved higher in June. The one-year and three-year-ahead measures both increased by 21bp, to 3.67%yr and 3.34%yr respectively. For the latter, this was the highest reading in four years. This contrasts with similar measures from the UoM survey and market-based indicators, which have eased recently.



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