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UPDATE

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Global Macro Commentary | Global

June 8: Mideast Detente Hopes Reemerge

Middle East risks eased; oil pared highs; AI dip-buyers returned; Kospi fell; Indonesia sold off; Peru vote close; Brent at 94.12 (+1.1%); DXY at 100.02 (-0.1%); US 10y at 4.56 (+3.2bp).

Geopolitical headlines lifted oil and yields early before ceasefire signals softened the impulse, leaving rates higher, USD slightly weaker, and equity performance split between US tech relief and Asia stress.

Developed Markets

- **US Treasuries bear-steepened as oil-linked inflation concerns and Friday's payrolls repricing kept pressure on duration, even after ceasefire headlines helped pare losses (2y: +1.5bp; 10y: +3.2bp; 30y: +3.9bp).** The move unwound part of Friday's bear-flattening as long-end yields stayed above key psychological levels. Fed hike risk remained central after strong labor data pushed investors to reassess whether policy was restrictive enough. The New York Fed survey showed one-year inflation expectations fell to 3.46%, but labor-market expectations weakened. Treasury bill demand was softer, with $89bn 3-month bills stopping at 3.64% and $77bn 6-month bills at 3.69%.

- **US equities recovered part of Friday's selloff as AI-linked shares bounced, while the oil reversal eased the worst of the inflation shock (S&P 500: +0.3%; Nasdaq: +0.9%; VIX: -12.0%).** The rally was concentrated in technology after last week's heavy unwind, with semiconductors leading the rebound. Defensive sectors lagged, while energy outperformed as crude held gains. The recovery looked tentative because long-end yields continued to grind higher during the session. Gold was unchanged, silver rose 0.5%, and bitcoin rose 2.9% as risk appetite stabilized.

- **The dollar weakened slightly after earlier touching a two-month high as reports of de-escalation between Israel and Iran pulled oil and yields off their highs (DXY: -0.1%).** EUR/USD rose 0.1%, GBP/USD was unchanged, and USD/CHF rose 0.2%. USD/JPY rose 0.1% to 160.18, keeping intervention risk in focus as speculative yen shorts remained elevated and a large 160 strike expiry drew attention. CAD was little changed against the dollar, with the Bank of Canada decision later this week the local focus. The broader FX tone was still shaped by US rate differentials, even as the geopolitical impulse faded intraday.

- **JGB opened cheaper in the Tokyo morning session, following UST sell off on Friday after the solid May NFP prints.** The risk-off tone extended into

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the Tokyo trading session, with geopolitical tensions also weighing on sentiment after renewed conflicts between Iran and Israel. Long-end JGBs, particularly the 20y sector, came under pressure, while front-end remained relatively supported amid the risk-off backdrop. Ultimately, JGB curve bear-steepened in 2s20s curve; 2y JGB sold off by 0.5bp to 1.415%, 10y JGB sold off by 5.0bp to 2.715%, 20y JGB sold off by 6.5bp to 3.635% on a simple yield basis. USD/JPY extended its upward momentum into the Tokyo morning session following Friday's price action. The pair continued to test the upside as geopolitical tensions remained elevated. Into London hours, the pair drifted back toward the 160 level, with caution ahead of the upcoming US CPI release midweek also contributing to the lack of follow-through.

- **European rates sold off across core markets as oil rose and the ECB decision approached (Germany 2y: +1.6bp; 10y: +2.1bp; 30y: +2.2bp).** Bunds pared earlier losses after ceasefire headlines, but yields still ended higher as markets continued to price a 25bp ECB hike this week. German factory orders fell 3.8% m/m in April, adding to evidence that the growth backdrop was weakening as energy costs rose. Gilts also cheapened, led by the front end after oil touched higher levels intraday (2y: +3.9bp; 10y: +4.0bp; 30y: +3.7bp). Italy was the underperformer in rates, with the 10y yield up 14.5bp ahead of new long-end supply.

Emerging Markets

- **Most AxJ currencies and rates weakened amid a renewed increase in Middle East tensions and higher oil prices during the Asia session.** KRW was an outlier, strengthening 2.0% despite a 8.3% decline in KOSPI, aided by unconfirmed reports of the NPS activating FX hedging and the finance ministry saying on Sunday that it will increase oversight of offshore currency derivatives and step up market inspections. Korea rates sold off by ~5bp across the 2-10y parts of the NDIRS curve following the global trend.

- **Elsewhere in Asia, Currencies that are exposed to higher oil prices (IDR and INR) underperformed, down 0.8%.** Rates saw divergent performance; in India, 10y IGB outperformed and rallied 2bp amid $490mn of foreign inflows – the most since August 2025 – after Friday's bond market measures, while in Indonesia, 10y IndoGBs sold off 20bp as financial authorities pledged to increase the yield attractiveness of Indonesia assets. MYR weakened by ~1% amid the risk-off sentiment, while 10y MGS sold off modestly by 3bp.

- **LatAm rates traded mixed, with the Brazilian DI curve underperforming as Jan 28 DIs moved ~27bp higher.** Peruvian soberanos traded very volatile as the vote count from yesterday's second-round election remains ongoing, with 2037 PeruGBs initially selling off ~12bp before bouncing back to rally ~6bp by the close. PEN was the largest underperformer in FX, depreciating ~1.20% amid the election headlines before bouncing back to appreciate ~0.73% after FX intervention from the central bank. The runoff remains too close to call, with Roberto Sanchez leading Keiko Fujimori by less than 1% and ~94% of ballots tallied. There are currently ~1,500 contested ballots pending adjudication, and final results not expected until mid-July. All other currencies posted losses except MXN, which appreciated ~0.05%, while CLP lagged, depreciating ~1.00%. Colombian markets were closed today for a local holiday.

- **CEEMEA currencies were softer where oil-import and inflation channels remained in focus.** USD/TRY rose 0.5% as local analysts looked for another rate hike this week amid higher inflation risk. USD/HUF rose 0.1%, while USD/PLN fell 0.1% and USD/CZK fell 0.1% as CEE currencies stabilized after the initial oil shock. USD/ZAR fell 0.2%, helped by firmer views on South Africa's external balances and commodity support despite higher oil. South African yields were little changed by the afternoon, with the 10y up 2.0bp and the 30y up 2.1bp.

Central Bank Monitor

Developed Markets

- In the UK, **BoE Member Taylor (MPC)** said in a Sky News interview that rates are "quite restrictive at the moment" and do not need to go higher, expressing comfort with the current level unless the worst-case scenario materializes. He added that cuts are also off the table "until we get more clarity," voting with the 8-1 majority to keep rates unchanged.

Emerging Markets

- In Korea, the **BoK** and finance ministry officials said that the authorities will not tolerate excessive FX volatility or one-way market positioning that is out of line with economic fundamentals, and will take strong action against such moves. The FX authorities believe that speculative FX transactions, including those in NDF have contributed to increased volatility in the currency market lately, in additional to supply and demand factors.
- In Indonesia, **BI Governor Warjiyo** said the authorities will aim to maintain sufficient liquidity in the market and work to boost yields and attract capital inflows. He added that BI will raise the interest rate paid for government cash placed with the central bank to aid in managing the government's net interest burden. **BI Senior Deputy Governor Destry** said there are no changes to the Board of Governors' meeting schedule and the central bank will continue to manage IDR movements to prevent excessive fluctuations. She added that IDR's recent performance aligns with the broader weakness seen across EM currencies, driven by higher USD and UST yields.

- In Taiwan, **CBC board member Chang** sees no urgency to adjust rates at this month's meeting as domestic inflation remains mild. He added that the CBC will continue to monitor market data and liquidity conditions while balancing price stability and economic growth.

Exhibit 1: G4 Rates Closes

	US			Germany			UK			Japan		
Tenor	8-Jun	1d Δ (bp)	2wk	8-Jun	1d Δ (bp)	2wk	8-Jun	1d Δ (bp)	2wk	8-Jun	1d Δ (bp)	2wk
2y	4.162	1.5		2.704	1.6		4.376	3.9		1.410	0.5	
3y	4.215	1.5		2.706	2.0		4.432	4.4		1.608	1.5	
5y	4.290	2.3		2.788	2.1		4.503	4.0		1.941	3.1	
7y	4.422	2.9		2.888	2.2		4.679	4.1		2.429	6.2	
10y	4.562	3.2		3.059	2.1		4.943	4.0		2.718	5.9	
20y	5.050	3.3		3.520	2.3		5.560	3.6		3.633	6.6	
30y	5.034	3.9		3.592	2.2		5.624	3.7		3.930	5.2	

Exhibit 2: Macro Closes

Majors				EM				Equities / Commodities			
Spot	8-Jun	1d Δ (%)	2wk	Spot	8-Jun	1d Δ (%)	2wk	Index	8-Jun	1d Δ (%)	2wk
DXY	100.02	(0.1)		CNH	6.78	(0.1)		S&P	7405.73	0.3	
EUR	1.153	0.1		INR	95.71	0.8		Stoxx	6062.29	0.0	
GBP	1.334	(0.0)		THB	32.87	0.8		FTSE	10373.20	0.0	
JPY	160.18	(0.1)		KRW	1528.10	(2.0)		Nikkei	64024.60	(3.8)	
CHF	0.798	0.2		ZAR	16.52	(0.2)		VIX	18.92	(12.0)	
AUD	0.705	(0.0)		MXN	17.47	(0.0)		Gold (S)	4329.29	0.0	
CAD	1.395	0.1		BRL	5.19	0.5		WTI (Fut)	91.16	0.7	

Exhibit 3: Inflation Closes

US TIPS				10y Real Yields, BEI							
Tenor	8-Jun	1d Δ (bp)	2wk	10y	8-Jun	1d Δ (bp)	2wk	10y	8-Jun	1d Δ (bp)	2wk
5y	1.811	2.6		DBRi	0.818	1.1		BTPi	1.810	2.8	
BEI	2.476	(0.2)		BEI	2.067	1.2		BEI	2.069	0.7	
10y	2.195	3.6		UKTi	1.618	3.2					
BEI	2.361	(0.4)		BEI	3.326	0.9					
30y	2.782	3.8		JGBi	0.419	0.1					
BEI	2.253	(0.1)		BEI	2.299	5.8					

Exhibit 4: G4 Central Banks

Central Bank OIS

Fed	Implied	1d Δ (bp)	Total Δ	ECB	Implied	1d Δ (bp)	Total Δ	BOE	Implied	1d Δ (bp)	Total Δ	BOJ	Implied	1d Δ (bp)	Total Δ
EFFR (6/5)	3.620	0.0	--	EONIA (6/5)	1.931	0.0	--	SONIA (6/5)	3.731	0.0	--	TONAR (6/5)	0.727	0.0	--
06/17/26	3.625	0.5	0.5	06/11/26	2.185	0.2	25.4	06/18/26	3.749	1.1	1.7	06/16/26	0.956	(0.7)	22.9
07/29/26	3.662	0.5	4.2	07/23/26	2.281	1.3	35.0	07/30/26	3.856	1.4	12.5	07/31/26	0.976	(0.1)	24.9
09/16/26	3.745	1.4	12.5	09/10/26	2.476	1.9	54.5	09/17/26	4.013	4.3	28.1	09/18/26	1.029	(0.2)	30.2
10/28/26	3.797	1.7	17.7	10/29/26	2.531	0.2	60.0	11/05/26	4.148	4.9	41.7	10/30/26	1.105	0.3	37.8
12/09/26	3.901	2.1	28.1	12/17/26	2.630	0.2	69.9	12/17/26	4.227	5.3	49.6	12/18/26	1.186	(1.1)	45.9
01/27/27	3.953	2.0	33.3					02/04/27	4.286	5.8	55.5				

Economic Releases

Developed Markets

- **Japan revised 1Q26 GDP:** +1.8% q/q SAAR (C: +1.4%). Downward revision for capex was smaller than expected (-0.7%, C:-0.9%), while other GDP components were largely unchanged from preliminary estimates.

- **US May NY Fed 1-Yr Inflation Expectations**: 3.5% (C: 3.7%; P: 3.6%).The New York Fed's May Survey of Consumer Expectations showed one-year-ahead inflation expectations falling to 3.46% from 3.64%, while inflation expectations for several key household expenses—including home prices, food, rent, medical care, and college tuition—generally moved higher. Labor market expectations were mixed, with job-loss fears rising and quit rates reaching a three-year high, while household finances deteriorated further as spending growth expectations moderated amid worsening credit access and higher delinquencies.

- **Germany April Manufacturing Orders**: -3.8% (MS: -3.5%M, C: -2%, P: 5%)

Emerging Markets

- **Indonesia May FX Reserves**: $144.9bn (P: $146.2bn)
- **Singapore May FX Reserves**: $430.1bn (P: $427.3bn)
- **Chile May CPI**: 0.17% m/m (Mse: 0.44%; P: 1.29%; C: 0.4%). The release came in well below concensus and our economists' forecast, driven by a smaller-than-expected contribution from energy and continued weakness in food prices. The data suggest the direct energy shock is fading faster than anticipated, while there remains little evidence of second-round effects into food. Services inflation accelerated to 0.51% m/m SA, driven by restaurants, rents, and housing-related services. While BCCh may view the food surprise as supply-driven, our economists think the print provides additional breathing space; thus, they continue to expect the BCCh to keep rates on hold for the rest of the year. Markets are pricing a hold through year-end, with a 40% probability of a 25bp hike in March 2027.

The Day Ahead

Developed Markets

- Monday, 8:30pm BST – **Australia June Westpac Consumer Confidence** (P: 3.5% m/m); **Westpac Consumer Confidence Index** (P: 83.0)**.** We expect consumer sentiment to remain soft in June. Lower fuel prices should provide some incremental support. Households continue to face restrictive policy settings, elevated mortgage rates, and additional tax headwinds flagged in the FY27 Budget. We'll watch for any shifts in family finance expectations and major purchase intentions, alongside further softening in housing-related sentiment. Unemployment expectations also remain key as a signal of labour market conditions.
- 9:30pm BST – **Australia May NAB Business Confidence** (P: -24)**; NAB Business Conditions** (P: 3)**.** We expect business sentiment to remain weak in May, though likely stabilising modestly after last month's sharp deterioration. Key components to watch include employment conditions, which weakened in April, and capex intentions, which also stepped down sharply. New orders also softened and will be an important read on underlying domestic demand.

- Tuesday, 5:30am BST – **Netherlands May HICP (final)** (MSe: 3.4% y/y; P: 3.4% y/y). In line with flash estimate.
- 5:30am BST – **Netherlands May CPI (final)** (MSe: 3.5% y/y; P: 3.5% y/y). In line with flash estimate.
- 7:00am BST – **Germany April Industrial Production incl. Construction** (MSe: 0.2% m/m; C: 0.4%; P: -0.7%). Industrial production could expand slightly on the upside in construction after soft prints due to cold weather in the beginning of the year. Elsewhere momentum is likely modest, in line with weak manufacturing surveys.
- 7:00am BST – **Germany April Exports (SA)** (MSe: -0.3% m/m; C: -0.5%; P: 0.5%); **Imports (SA)** (MSe: -2.0% m/m; C: -2.0%; P: 5.2%); **Trade Balance (SA)** (MSe: €17.1bn; P: €14.1bn). Exports might decline slightly reflecting in line with subdued manufacturing activity and imports are expected to drop after two strong increases. The resulting trade balance would be €18.3bn.
- 6:00am EST - **US May NFIB Small Business Optimism** (C: 96; P: 95.9). The index was broadly unchanged in April, though pricing indicators firmed as more businesses reported raising selling prices and planned additional price hikes. The results are consistent with inflation signals from recent manufacturing surveys, while labor quality, taxes, and inflation remained firms' primary concerns.
- 10:00am EST - **US May Existing Home Sales** (MSe: 4.1m ; C: 4.1m; P: 4.0m). Pending home sales and mortgage applications signal a rise in existing home sales in May; we expect a 2.0% m/m rise to 4.10mn. Even so, existing home sales will still be bouncing around the low end of the range of the past three years.

Emerging Markets

- 7:00am HKT - **Korea Preliminary 1Q26 GDP** (MSe: 1.7% q/q, 3.6% y/y; C: 1.7% q/q, 3.6% y/y; P: -0.2% q/q, 1.6% y/y)
- 9:00am HKT – **Philippines April Unemployment rate** (P: 5.0%)
- 3:00pm HKT – **Malaysia May 29 FX Reserves** (P: $129.5bn)
- 4:00pm HKT - **Taiwan May Exports** (MSe: 43.3% y/y; C: 41.2%; P: 39.0%); **Imports** (MSe: 32.1% y/y; C: 40.3%; P: 29.2%); **Trade Balance** (MSe: $22.1bn; C: $17.5bn; P: $14.4bn)
- **China May Exports** (MSe: 16.0% y/y; C: 15.0%; P: 14.1%); **Imports** (MSe: 26.0%; C: 26.0%; P: 25.3%); **Trade Balance** (C: $92.3bn; P: $84.8bn)
- 8:00am EST - **Mexico May CPI** (Mse: 0.01% 2H/1h; P: -0.16%; C: 0.03%). Markets will be focused on whether inflation momentum remains consistent with currency policy expectations.

For more details, please refer to our economists' weekly reports and data previews:

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- *Europe*
- *Japan*
- *Asia/Pacific*
- *LatAm*
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- EM Sovereign Credit Strategy: Where Supply Meets Demand (5 Jun 2026)
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