



2 March 2026

MORNING REPORT

Today's economic developments and market movements.

Key themes

Markets are yet to fully respond to the evolving situation in the Middle East. Futures suggest haven flows will pick up on the open, with the US dollar and key commodities, including oil, expected to extend the gains recorded on Friday. Risk sensitive currencies such as the Aussie are likely to come under further selling pressure.

There was already a risk off tone into the end of last week amid heightened geopolitical tensions and ongoing concerns around the potentially disruptive impacts of AI.

Against this backdrop, key US equity indices closed in the red, while the picture was more mixed across Europe and Asia. The shift to risk aversion saw a rally in government bonds, with yields falling across the US and Europe.

The US dollar lost ground but is finding strong support in early trade as markets react to recent developments. The Aussie also came under selling pressure and is likely to remain under pressure as trading gets underway.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	65.5	0.2%
AUD/USD	0.7043	-0.9%
AUD/JPY	109.95	-0.9%
AUD/GBP	0.5241	-0.6%
AUD/NZD	1.1830	-0.5%
AUD/EUR	0.5990	-0.5%
AUD/CNH	4.8463	-0.4%
AUD/SGD	0.8969	-0.1%
AUD/HKD	5.5102	-0.9%
AUD/CAD	0.9619	-1.0%
EUR/USD	1.1758	-0.3%
USD/JPY	156.10	0.0%
USD Index	97.61	-0.2%

Equities	Close	Change
S&P/ASX 200	9,199	0.3%
S&P 500	6,879	-0.4%
Japan Nikkei	58,850	0.2%
Hang Seng	26,631	0.9%
Euro Stoxx 50	6,138	-0.4%
UK FTSE100	10,911	0.6%
VIX Index	19.86	6.6%

Commodities	Current	Change
CRB Index	312.67	0.9%
Gold	5278.93	1.8%
Copper	13344	0.3%
Oil (WTI futures)	67.02	2.8%
Coal (coking)	220.00	-2.7%
Coal (thermal)	118.50	-0.5%
Iron Ore	97.70	0.0%
ACCU	36.12	-4.3%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	3.86	0.00
90 day BBSY	4.04	-0.01
180 day BBSY	4.38	0.01
1 year swap	4.19	-0.02
2 year swap	4.20	-0.04
3 year swap	4.18	-0.05
4 year swap	4.20	-0.05
5 year swap	4.24	-0.05
6 year swap	4.29	-0.04
7 year swap	4.35	-0.04
8 year swap	4.40	-0.04
9 year swap	4.45	-0.04
10 year swap	4.71	-0.03

Government Bond Yields	Close	Change
Australia		
3 year bond	4.22	-0.04
10 year bond	4.65	-0.05
United States		
3-month T Bill	3.58	-0.02
2 year bond	3.37	-0.05
10 year bond	3.94	-0.07
Other (10 year yields)		
Germany	2.64	-0.05
Japan	2.12	-0.04
UK	4.23	-0.04

Sydney Futures Exchange	Current	Change
10 yr bond	4.62	-0.05
3 yr bond	4.16	-0.06
3 mth bill rate	4.02	-0.01
SPI 200	9,150	-0.2%

Data as at 7:15am AEDT. 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

- Key equity indices were mixed over the final session of the week, with US markets softer despite earlier resilience in the tech sector. US equities closed lower after a choppy session, with selling pressure into the close offsetting earlier gains. The S&P 500 fell 0.4% to also finish 0.4% lower in weekly terms. The tech heavy Nasdaq was 0.9% lower to be 1.0% lower through the week, while the Dow Jones fell 1.1% to be 1.3% lower in weekly terms. The VIX increased 6.6% to 19.9 on the back on increasing volatility and lingering uncertainty.
- European equity markets generally higher posting modest gains. The Euro Stoxx 50 declined 0.4%, Germany's DAX was up 0.1%, the FTSE 100 rose 0.7% and the Swiss Market Index increased 0.7%. Asian markets were mixed. Japan's Nikkei edged 0.2% higher, the Hang Seng rose 0.9%, while the CSA 300 increased 0.3%. The local market ended the session modestly higher, with the S&P/ASX 200 closing 0.3% higher. However, futures point to a softer start today, with SPI 200 futures down 0.2%.
- There was a slight rally in bond markets amid the risk off tone. In the US, Treasury yields declined across the curve, with the 2 year yield down 5bps to 3.37% and the 10 year yield down 7bps to 3.94%. Short dated bills also eased, with the 3 month T bill yield falling to 3.58%. Interest rate futures now price around 60bps of easing through the end of 2026, with the first full rate cut expected by August. European sovereign yields were also slightly lower, with Germany's 10 year yield declining 5bps to 2.64%, while UK 10 year yields fell 4bps to 4.23%.
- Local bond markets also rallied. Australian 3 year and 10 year yields on futures fell 4–5bps to 4.16% and 4.62%, respectively. OIS pricing continues to suggest a terminal cash rate this year around 4.15%, with the first full rate hike pencilled in for August, indicating markets remain divided on the need for further tightening beyond 2025.
- The US dollar was modestly weaker, with the DXY down 0.2% to 97.6 as falling Treasury yields weighed on the currency. The Australian dollar underperformed, with AUD/USD down 0.9% to 0.7040 and broad based weakness across most crosses. The AUD declined sharply against the yen and Canadian dollar, while also losing ground against sterling, the euro and the New Zealand dollar. The Japanese yen was little changed overall, with USD/JPY steady near 156.1.
- Commodity prices were mixed. Gold rose 1.8% to around US\$5,279 per ounce, supported by lower bond yields and a softer US dollar. Oil prices moved higher, with WTI futures up 2.8% to US\$67.02 per barrel, as markets continued to assess supply risks and geopolitical developments. Base metals were

Today's key data and events

Time	Event	Exp	Prev
11:00	AU MI Inflation Gauge Feb	-	3.6%
11:30	AU Business Indicators Q4	-	0.0%
11:30	AU Inventories Q4	-	-0.9%
11:30	AU ANZ Job Ads Feb	-	4.4%
11:30	JP Jibun Bank Man PMI Feb Final	-	52.8pts
18:00	GB Nationwide House Prices Feb	0.2%	0.3%
20:00	EZ HCOB Manufacturing PMI Feb Final	-	50.8pts
20:30	GB S&P Manufacturing PMI Feb Final	-	52pts
23:30	AU RBA's Hunter-Remarks	-	-
1:45	US S&P Manufacturing PMI Feb Final	-	51.2pts
2:00	US ISM Manufacturing Feb	51.8pts	52.6pts

Times are AEDT. 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.

mixed, with copper slightly lower on the day, while iron ore was broadly unchanged near US\$97.7 per tonne. Coal prices eased, with both coking and thermal coal lower, and ACCU prices fell sharply by 4.3%.

International Data

Over the weekend, the **US and Israel** have undertaken a targeted military action against Iran. The Supreme Leader Ayatollah Ali Khamenei was killed along with a number of other senior leaders. The US and Israel's strikes are continuing and Iran has retaliated against US assets in the region, Israel and some other infrastructure across the Middle East. There has been some reference to the potential for talks and a deescalation, but no timetable has been set. For the world more broadly, the main risks surround energy supply through the Strait of Hormuz and the shutting down of passenger and goods transit through Middle East airports. Global container shipping through the region is also being affected. Currently the price of Brent crude is up over 20% since early January, but still around 9% below its 5-year average.

US producer prices rose by 0.5% in January, above the 0.3% market expectation. Ex food and energy, the upside surprise was greater still, prices up 0.8% versus the 0.3% market consensus. The annual rate is 2.9%yr for headline PPI and 3.6%yr for core.

The **US Chicago PMI** rose from 54.0 to 57.7 in February. Manufacturing conditions are varied across the US.

UK GfK consumer confidence deteriorated at the margin in February, the index falling from -16 to -19. Still, the current level is above the 5-year average of -24.

Local Data

We released our national accounts Q4 quarter ahead ([see here](#)) as well as a write up of credit increases to household and businesses ([see here](#)).



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