



3 March 2026

MORNING REPORT

Today's economic developments and market movements.

Key themes

President Trump pledged to do “whatever it takes” to overthrow the regime in Iran, not ruling out the option of deploying ground troops. He thinks the military campaign in the Middle East could last about a month.

Oil and gas prices surged, as water traffic through the Strait of Hormuz came to a halt, and Saudi Arabia and Qatar shut their refining and production facilities.

Inflationary pressures resulting from higher energy prices were the main concern in bond markets, causing yields to surge. The 10Y US Treasury yield jumped 11bp and returned to 4.05%, a similar level to last week.

Domestic equities largely ignored concerns about the Middle East, with the ASX 200 moving sideways yesterday. Australian government bond yields were lower, down 2–3bp across the curve, though futures indicate a sharp increase today.

Data snapshot

| FX Last 24 hrs | Current | Change | AUS Interest Rate Swaps | Last | Change |
|----------------|---------|--------|-------------------------|------|--------|
| TWI | 65.4 | -0.2% | 30 day BBSY | 3.85 | 0.00 |
| AUD/USD | 0.7078 | -0.6% | 90 day BBSY | 4.02 | -0.02 |
| AUD/JPY | 111.43 | 0.3% | 180 day BBSY | 4.33 | -0.05 |
| AUD/GBP | 0.5285 | 0.1% | 1 year swap | 4.22 | 0.03 |
| AUD/NZD | 1.1923 | 0.5% | 2 year swap | 4.26 | 0.06 |
| AUD/EUR | 0.6059 | 0.6% | 3 year swap | 4.29 | 0.10 |
| AUD/CNH | 4.8871 | 0.1% | 4 year swap | 4.31 | 0.11 |
| AUD/SGD | 0.9018 | 0.2% | 5 year swap | 4.35 | 0.10 |
| AUD/HKD | 5.5354 | -0.6% | 6 year swap | 4.39 | 0.10 |
| AUD/CAD | 0.9682 | -0.2% | 7 year swap | 4.45 | 0.10 |
| EUR/USD | 1.1681 | -1.1% | 8 year swap | 4.50 | 0.10 |
| USD/JPY | 157.45 | 0.9% | 9 year swap | 4.55 | 0.10 |
| USD Index | 98.59 | 1.0% | 10 year swap | 4.82 | 0.10 |

| Equities | Close | Change | Government Bond Yields | Close | Change |
|---------------|--------|--------|------------------------|-------|--------|
| S&P/ASX 200 | 9,201 | 0.0% | Australia | | |
| S&P 500 | 6,866 | -0.2% | 3 year bond | 4.19 | -0.03 |
| Japan Nikkei | 58,057 | -1.3% | 10 year bond | 4.63 | -0.02 |
| Hang Seng | 26,060 | -2.1% | United States | | |
| Euro Stoxx 50 | 5,987 | -2.5% | 3-month T Bill | 3.58 | 0.00 |
| UK FTSE100 | 10,780 | -1.2% | 2 year bond | 3.48 | 0.10 |
| VIX Index | 21.64 | 9.0% | 10 year bond | 4.05 | 0.11 |

| Commodities | Current | Change | Other (10 year yields) | | |
|-------------|---------|--------|------------------------|------|-------|
| CRB Index | 320.55 | 2.5% | Germany | 2.71 | 0.07 |
| Gold | 5335.93 | 1.1% | Japan | 2.09 | -0.03 |
| Copper | 13108 | -1.8% | UK | 4.37 | 0.14 |

| | Current | Change | Sydney Futures Exchange | Current | Change |
|-------------------|---------|--------|-------------------------|---------|--------|
| Oil (WTI futures) | 72.48 | 8.1% | 10 yr bond | 4.72 | 0.08 |
| Coal (coking) | 218.50 | -0.7% | 3 yr bond | 4.27 | 0.08 |
| Coal (thermal) | 128.70 | 8.6% | 3 mth bill rate | 4.04 | 0.02 |
| Iron Ore | 98.30 | 0.9% | SPI 200 | 9,132 | -0.3% |
| ACCU | 36.12 | -4.3% | | | |

Data as at 7:30am 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

President Trump pledged to do “whatever it takes” to overthrow the regime in Iran, not ruling out the option of deploying ground troops. He thinks the military campaign in the Middle East could last about a month.

Financial markets sought to gauge the economic impact of the conflict. As anticipated, oil and gas prices surged, as water traffic through the Strait of Hormuz – which carries nearly a fifth of global seaborne oil flows – came to a halt. Iranian officials warned that vessels attempting to cross the strait would be targeted. Saudi Arabia and Qatar shut their refining and production facilities due to security concerns.

Beyond energy markets, inflationary pressures resulting from higher energy prices were the main concern in bond markets, causing yields to fall significantly. The risk-off sentiment led to a rally in the US dollar, while major equity benchmark indices declined.

- The S&P 500 sold off by more than 1% at the opening but then pared losses over the course of the trading session, finishing the day 0.2% lower. Energy and defence shares outperformed, and the technology sector also traded higher, up 0.6%.
- Sentiment in European and Asian share markets was more subdued. The Euro Stoxx 50 lost 2.5% – its worst result in seven months – with automotive stocks leading the decline. The FTSE 100 in the UK showed greater resilience, down 1.2%, while the Nikkei 225 in Japan fell 1.3%. Domestic equities largely ignored concerns about the Middle East, with the ASX 200 moving sideways yesterday.
- Bonds sold off as sustained higher energy prices are expected to increase inflationary pressures in major economies. The 10Y US Treasury yield jumped 11bp – reversing Friday’s rally – and returned to 4.05%, a similar level to earlier last week. The short end of the curve also rose, by 10bp, as the market’s assessment of the Fed policy outlook shifted to pricing in two policy rate cuts this year, down from two and a half last week. European bonds saw yields rise significantly, with the 10Y Bund up 7bp and the 10Y Gilt up 14bp. Australian government bond yields were lower, down 2–3bp across the curve, though futures indicate a sharp increase today.
- The DXY rose by a full percent to 98.6, as investors sought safety. All other major currencies depreciated: the EUR fell by 1.1%, the GBP by 0.7%, and the JPY by 0.9%. The AUD held up better, down 0.6%, trading below the 0.71 mark again.
- Crude opened significantly higher, with the April WTI contract jumping from around \$67 to \$75. It remained volatile over the course of the session, finishing at \$72.3 (up 8.1%). Gas

Today’s key data and events

| Time | Event | Exp | Prev |
|-------|-------------------------------|----------|----------|
| 8:10 | AU RBA’s Bullock-Speech | - | - |
| 8:45 | NZ Building Permits Jan | - | -4.6% |
| 10:30 | JP Job-to-Applicant Jan | 120.0% | 120.0% |
| 11:30 | Net exports contr to GDP Q4 | -0.3ppt | -0.1ppt |
| 11:30 | AU Current Account Balance Q4 | -\$16.5b | -\$16.6b |
| 11:30 | AU Dwelling Approvals Jan | 5.0% | -14.9% |
| 21:00 | EZ HICP Feb Prel. | 1.7% | 1.7% |

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.

prices surged, as Qatar shut down world’s largest LNG export facility. The European LNG benchmark surged almost 40%, while the Asian one was up almost 25%. The risk off sentiment supported gold prices, which increased 1.1%, while iron ore extended its upward trend seen last week.

International Data

The ISM manufacturing PMI survey indicated that momentum in the US manufacturing sector was sustained in February, following a recovery in January. In fact, the headline index surprised on the upside, remaining largely unchanged at 52.4 – only the second reading in expansionary territory over the past twelve months. Survey respondents reported that both production and new orders growth remained positive, though at a slower pace than at the beginning of the year. The assessment of labour market conditions improved slightly, while the price index surged by more than 11 points to 70.5, the highest level since mid-2022.

Local Data

In Australia, **private non-farm business inventories** declined by 0.1% in the December quarter 2025. This outcome was a touch softer than Westpac Economics’ forecast of a flat result in Q4. Profits rose 5.8%qtr in Q4, rising in the mining (8.1%qtr) and non-mining (4.4%qtr: strongest quarterly rise outside of COVID since the December quarter 2016) sectors ([see here](#)).

The **Cotality home value index** rose 0.6% in February, following a 0.7% in January, a 0.4% rise in December and 0.9-1.2% gains over the previous four months. Annual growth ticked up to 9.6%yr ([see here](#)).



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