5 March 2026

MORNING REPORT

Today's economic developments and market movements.

Key themes

Geopolitical tensions in the Middle East remain elevated, with the US signalling it will continue military action against Iran, despite comments that Iran's military capabilities are deteriorating.

US markets struck a more constructive tone, supported by a strong services PMI that showed solid activity alongside easing price pressures.

Equities rebounded across the US and Europe, and the improved risk sentiment is expected to carry through to the Australian session.

The US dollar weakened, with most G10 currencies appreciating, led by the AUD and NZD. Comments from Japan's Finance Minister helped lend some support to the yen.

Bond markets were relatively contained, with US yields edging higher while other developed-market yields declined, pointing to some divergence in global rate dynamics.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	65.0	–1.2%
AUD/USD	0.7080	0.6%
AUD/JPY	111.20	0.2%
AUD/GBP	0.5293	0.5%
AUD/NZD	1.1919	–0.2%
AUD/EUR	0.6082	0.4%
AUD/CNH	4.8799	0.3%
AUD/SGD	0.9023	0.4%
AUD/HKD	5.5349	0.8%
AUD/CAD	0.9655	0.3%
EUR/USD	1.1640	0.2%
USD/JPY	157.07	–0.4%
USD Index	98.78	–0.3%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	3.89	0.03
90 day BBSY	4.12	0.07
180 day BBSY	4.42	0.04
1 year swap	4.29	–0.02
2 year swap	4.33	–0.01
3 year swap	4.36	–0.02
4 year swap	4.38	–0.03
5 year swap	4.42	–0.02
6 year swap	4.46	–0.02
7 year swap	4.51	–0.01
8 year swap	4.57	–0.02
9 year swap	4.62	–0.01
10 year swap	4.88	0.00

Equities	Close	Change
S&P/ASX 200	8,901	–1.9%
S&P 500	6,876	0.9%
Japan Nikkei	54,246	–3.6%
Hang Seng	25,249	–2.0%
Euro Stoxx 50	5,871	1.7%
UK FTSE100	10,568	0.8%
VIX Index	20.89	–11.4%

Commodities	Current	Change
CRB Index	327.68	0.4%
Gold	5139.00	1.0%
Copper	13058	0.8%
Oil (WTI futures)	74.98	0.6%
Coal (coking)	220.00	0.1%
Coal (thermal)	131.65	–2.5%
Iron Ore	100.10	–0.2%
ACCU	36.12	–4.3%

Government Bond Yields	Close	Change
Australia		
3 year bond	4.31	–0.03
10 year bond	4.75	–0.02
United States		
3–month T Bill	3.59	0.00
2 year bond	3.54	0.04
10 year bond	4.09	0.03
Other (10 year yields)		
Germany	2.75	0.00
Japan	2.12	–0.02
UK	4.44	–0.03

Sydney Futures Exchange	Current	Change
10 yr bond	4.80	0.04
3 yr bond	4.36	0.05
3 mth bill rate	4.06	0.00
SPI 200	8,943	1.0%

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

Geopolitical tensions in the Middle East remain elevated. The US reiterated that it is prepared to continue military action against Iran, with reports overnight that US forces sank an Iranian naval vessel. Iran, meanwhile, reportedly launched missiles towards Turkey. Despite these developments, markets found some support from a stronger-than-expected US services PMI print.

- Equity markets clawed back some recent losses. The S&P 500 rose 0.8%, while European equities outperformed, with the Euro Stoxx 50 up 1.7% and the FTSE 100 gaining 0.8%, despite ongoing concerns around energy prices. Asian markets closed lower yesterday. South Korea's KOSPI fell 12%, marking a third consecutive day of declines following a stellar performance through 2025. Japan's Nikkei dropped 3.6%, while Hong Kong's Hang Seng declined 2.0%. The improved tone in US and European markets is likely to carry through to Australia, with futures pointing to a strong open for the ASX 200 following yesterday's 1.9% fall.
- Bond markets traded in relatively narrow ranges. US Treasury yields were 2–4bp higher across the curve relative to the previous close. In contrast, yields declined elsewhere: the 2-year Bund yield fell 2bp to 2.13%, while both 2-year and 10-year Gilt yields declined 3bp. Japan's 10-year JGB yield fell 2bp to 2.11%. The divergence between US Treasuries and other developed-market bond markets suggests that demand for US duration as a risk-off hedge may be waning. In Australia, the yield curve shifted lower, led by the front end following the stronger-than-expected Q4 GDP release. Yields fell 2–5bp after rising 12–15bp the previous day. There was little change in market pricing for the RBA, with the next rate hike still fully priced for June.
- In FX markets, the US dollar retreated, with the DXY down 0.3% to 98.761 as most G10 currencies appreciated. The AUD rose 0.6% against the greenback, reversing the prior session's losses. The euro gained 0.2% and sterling rose 0.1%. The yen tested the 157 level several times and is currently trading around 157.1. Japanese Finance Minister Katayama reiterated that authorities stand ready to intervene to counter excessive volatility in FX markets, lending some support to the currency.
- In commodities, the May 2026 Brent contract settled 0.5% higher at $81.87, while the April WTI contract rose 0.6% to $75, reversing yesterday's declines amid US assurances around the security of maritime trade. President Putin commented that Russia is considering ending LNG exports to Europe by late 2027, though this had little impact on gas markets, with natural gas prices falling 10.2%. Precious metals were firmer, with gold up 1.0% and silver rising 1.7%.

Today's key data and events

Time	Event	Exp	Prev
11:30	AU Trade Balance Jan	$3800m	$3373m
21:00	EZ Retail Sales Jan	0.2%	–0.5%
0:30	US Import Price Index Jan	0.3%	0.1%
0:30	US Initial Jobless Claims	215k	212k
0:30	US Retail Sales Jan	–0.3%	0.0%
0:30	US Non–Farm Payrolls Feb	60k	130k
0:30	US Average Hourly Earnings Feb	0.3%	0.4%
0:30	US Unemployment Rate Feb	4.3%	4.3%
2:00	US Business Inventories Dec	0.1%	0.1%
5:30	AU RBA's Hauser–Panel Discussion	–	–
7:00	US Consumer Credit Jan	US$13.3b	US$24b
–	CN Foreign Reserves Feb	–	US$3399.1b

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.

International Data

The ISM services index rose from 53.8 to 56.1 in February. New orders were particularly constructive in the month, the index rising from 53.1 to 58.6. The gain for employment was much more modest, from 50.3 to 51.8.

US ADP employment was largely as expected in February, 63k new jobs created in the month after a 11k increase in January.

The Euro Area unemployment rate fell from an upwardly revised 6.3% in December to 6.1% in January, a historically-low level.

Local Data

The Australian economy grew by 0.8%qtr in the December quarter. This increase and revisions to previous quarters left year-ended growth at 2.6% – the strongest since the March quarter 2023. The Q4 national accounts reinforce the view that the economy is now in the upswing phase of the cycle, with momentum clearly accelerating in the second half of 2025. But there are caveats: consumer spending surprisingly slowed in Q4, even as overall domestic demand strengthened.

As we predicted, the supply side of the economy is normalising with productivity growing 1.0%yr across the economy and 1.5%yr in the market sector. This has helped slow growth in the economy's cost base, with growth in unit labour cost easing to below 4%yr for the first time since the pandemic.

You can read our full note here.

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