9 March 2026

MORNING REPORT

Today's economic developments and market movements.

Key themes

The initial market reaction to the war in the Middle East was muted, but risk sentiment deteriorated as the week progressed and the conflict widened.

Key global equity indices sold off, ending the week firmly in the red.

The escalating conflict has disrupted energy exports, with shipping traffic out of the region grinding to an almost standstill. Disruptions through the Strait of Hormuz have led to storage constraints, while refiners have reduced output. As a result, oil prices rose almost 40% over the week, while natural gas prices surged nearly 80%.

Rising energy prices have lifted inflation concerns, triggering a global bond sell off and pushing yields around 20bps higher across the US, Europe and Australia.

Haven demand supported the US dollar, while risk currencies weakened, with the Aussie down 1.2% over the week.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	65.3	-0.2%
AUD/USD	0.7030	0.3%
AUD/JPY	110.92	0.4%
AUD/GBP	0.5241	-0.1%
AUD/NZD	1.1915	0.2%
AUD/EUR	0.6053	0.3%
AUD/CNH	4.8558	0.2%
AUD/SGD	0.8986	0.1%
AUD/HKD	5.4995	0.4%
AUD/CAD	0.9540	-0.4%
EUR/USD	1.1618	0.1%
USD/JPY	157.78	0.1%
USD Index	98.99	-0.3%

Equities	Close	Change
S&P/ASX 200	8,851	-1.0%
S&P 500	6,740	-1.3%
Japan Nikkei	55,621	0.6%
Hang Seng	25,757	1.7%
Euro Stoxx 50	5,720	-1.1%
UK FTSE100	10,285	-1.2%
VIX Index	29.49	24.2%

Commodities	Current	Change
CRB Index	352.12	4.5%
Gold	5171.74	1.8%
Copper	12862	-0.3%
Oil (WTI futures)	90.90	12.2%
Coal (coking)	219.50	-0.5%
Coal (thermal)	137.50	1.3%
Iron Ore	102.15	0.6%
ACCU	36.12	-4.3%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	3.90	0.01
90 day BBSY	4.12	0.03
180 day BBSY	4.46	0.03
1 year swap	4.35	0.04
2 year swap	4.43	0.07
3 year swap	4.45	0.06
4 year swap	4.47	0.05
5 year swap	4.51	0.05
6 year swap	4.55	0.04
7 year swap	4.59	0.04
8 year swap	4.64	0.03
9 year swap	4.68	0.03
10 year swap	4.93	0.02

Government Bond Yields	Close	Change
Australia		
3 year bond	4.43	0.07
10 year bond	4.84	0.04
United States		
3-month T Bill	3.58	-0.01
2 year bond	3.56	-0.02
10 year bond	4.14	0.00
Other (10 year yields)		
Germany	2.86	0.02
Japan	2.17	0.01
UK	4.63	0.09

Sydney Futures Exchange	Current	Change
10 yr bond	4.89	0.03
3 yr bond	4.46	0.03
3 mth bill rate	4.07	0.00
SPI 200	8,684	-1.8%

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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Today's key data and events

Time	Event	Exp	Prev
10:50	JP Current Account Balance Jan	¥960b	¥728.8b
12:30	CN PPI Feb	-1.1%	-1.4%
12:30	CN CPI Feb	0.9%	0.2%
20:30	EZ Sentix Investor Confidence Mar	-3pts	4.2pts
-	CN M2 Money Supply Feb	8.9%	9.0%
2:00	US US NY Fed 1-Yr Expectations Feb	-	3.1%

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.

Financial Markets

- Key equity indices fell sharply in the final session of the week amid an escalating war in the Middle East. The sell off followed comments from the US President ruling out a deal with Iran, saying he wants "unconditional surrender". Since the conflict began one week ago, oil prices have surged almost 40%, while natural gas prices are up nearly 80%. Qatar's energy minister warned the conflict could force Gulf producers to halt energy exports, a scenario that would inflict significant economic damage and could push oil prices toward USD150 per barrel.
- US equities closed firmly lower, with the S&P 500 down 1.3% on the day and 2.0% over the week – the sharpest weekly drop since October 2025. The tech heavy Nasdaq underperformed, falling 1.6% to finish the week 1.2% lower. While the Dow Jones declined 1.0% and ended the week 3.0% in the red. Volatility spiked sharply on Friday, with the VIX jumping 24.2% to 29.5, underscoring heightened uncertainty and a decisive risk off tone.
- European equity markets also weakened, tracking the US lead. The Euro Stoxx 50 fell 1.1%, Germany's DAX declined 1.0%, and the FTSE 100 dropped 1.2%. In Asia, markets were higher with Japan's Nikkei closing 0.6% in the green while the Hang Seng surged 1.7%. The local market ended the session lower, with the S&P/ASX 200 closing 1.0% in the red and futures point to further downside today, with futures down 1.8%.
- Bond markets were mixed. In the US, short dated yields edged lower, with the 2 year Treasury yield down 2bps to 3.56%, while the 10 year yield was unchanged at 4.14%. Amid the bond sell off, Treasury yields have increased around 20bps across the curve over the past week. Interest rate futures now price around 45bps of easing through the end of 2026 (down from 60bps before the war started), with the first full rate cut expected by September. European sovereign yields moved higher, with German 10 year yields up 2bps to 2.86% and UK 10 year yields rising 9bps to 4.63% - this comes as traders slash wagers on BoE cuts this year, given the surge in oil and natural gas prices.
- Local bond yields pushed higher, with 3 year and 10 year yields on futures increasing 3bps to 4.46% and 4.89%, respectively. Domestic yields have also increased around 20bps across the curve over the past week. OIS pricing suggests a terminal cash rate this year around 4.35%, with the first full rate hike pencilled in for May and another by November.
- Currency markets saw a softer US dollar, with the DXY down 0.3% to 99.0 during the final session of the week. Despite this, haven flows saw the US dollar finish the week 1.3% higher. The Australian dollar strengthened, rising 0.3% to 0.7030, with gains against the yen, euro and New Zealand dollar, though it underperformed against the Canadian dollar. Overt the week however the Aussie was sold off, falling 1,2% against the Greenback. USD/JPY edged higher to 157.8, leaving the yen broadly steady.
- Commodity prices were volatile and mostly higher. Gold rose 1.8% to USD5,172 per ounce, supported by safe haven demand. Oil prices surged, with WTI futures up 12.2% to USD90.9 per barrel, amid growing fears of a global energy crunch. Bulk commodities were firmer, with iron ore up 0.6% to USD102 a tonne, while coal prices were mixed.

International Data

US **nonfarm payrolls** surprised to the downside in February, declining 92k in the month, reportedly in part because of strike activity in the health sector. Gains over the prior two months were also revised down 69k. As a result, the 3-month average is now just 6k compared to 50k in January and the 12-month average is 13k compared to 89k the year prior. The unemployment rate also ticked up to 4.4% despite a 0.1ppt decline in the participation rate.

US **retail sales** fell 0.2% in January, largely as expected. Control group sales were up 0.3% after a flat December. Recent momentum in consumer partials point to a continued deceleration in consumption growth into 2026, though the overall pulse is still consistent with GDP growth around trend.

Euro Area GDP growth was edged down in the third estimate for Q4 to 0.2%, 1.2%yr. Solid growth was still seen across the key domestic demand components of consumption, investment and government spending. Growth at trend will be put at risk in coming quarters by the rapid rise in energy prices seen over recent weeks which Europe is disproportionately exposed to.

Local Data

The Labor Accounts show that the slowdown in **jobs** growth over 2025 was dominated by a pull-back in hiring efforts across the care economy. This dynamic has largely normalised, and with the market sector showing a stronger pulse (see here).

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