



16 March 2026

# MORNING REPORT

Today's economic developments and market movements.

## Key themes

Hopes for a TACO-style reversal continue to be dashed amid reports of intensifying strikes across the Middle East and cuts to crude oil production amid limited storage capacity, which continues to see crude prices lift higher with significant intraday volatility.

Against this backdrop, equities fell across most major markets and yields rose on longer-dated government bonds across the globe. The USD continues to climb as well, with the DXY closing above the 100 mark for the first time since November 2025.

Central banks from most major economies have policy decisions scheduled this week, which will offer key insights into reactions functions in the midst of the crisis.

On Friday evening, the US conducted strikes on Kharg Island in the Persian Gulf, an island that is responsible for processing around 90% of Iran's crude oil exports, predominately to China, marking yet another significant escalation.

## Data snapshot

FX Last 24 hrs	Current	Change
TWI	65.8	-0.6%
AUD/USD	0.6993	-1.2%
AUD/JPY	111.66	-1.0%
AUD/GBP	0.5283	-0.4%
AUD/NZD	1.2075	-0.1%
AUD/EUR	0.6122	-0.4%
AUD/CNH	4.8275	-0.9%
AUD/SGD	0.8973	-0.9%
AUD/HKD	5.4746	-1.2%
AUD/CAD	0.9600	-0.5%
EUR/USD	1.1424	-0.8%
USD/JPY	159.65	0.2%
USD Index	100.36	0.6%

Equities	Close	Change
S&P/ASX 200	8,617	-0.1%
S&P 500	6,632	-0.6%
Japan Nikkei	53,820	-1.2%
Hang Seng	25,466	-1.0%
Euro Stoxx 50	5,717	-0.6%
UK FTSE100	10,261	-0.4%
VIX Index	27.19	-0.4%

Commodities	Current	Change
CRB Index	365.79	0.2%
Gold	5019.49	-1.2%
Copper	12780	-1.7%
Oil (WTI futures)	98.71	3.1%
Coal (coking)	220.50	-0.9%
Coal (thermal)	137.30	-1.0%
Iron Ore	105.25	-0.1%
ACCU	36.13	-4.3%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	4.00	0.00
90 day BBSY	4.23	0.00
180 day BBSY	4.67	0.01
1 year swap	4.47	0.00
2 year swap	4.55	0.01
3 year swap	4.58	0.01
4 year swap	4.60	0.02
5 year swap	4.63	0.01
6 year swap	4.69	0.03
7 year swap	4.74	0.03
8 year swap	4.78	0.02
9 year swap	4.82	0.02
10 year swap	5.08	0.01

Government Bond Yields	Close	Change
<b>Australia</b>		
3 year bond	4.57	0.02
10 year bond	4.95	0.00
<b>United States</b>		
3-month T Bill	3.60	-0.01
2 year bond	3.72	-0.02
10 year bond	4.28	0.02
<b>Other (10 year yields)</b>		
Germany	2.98	0.03
Japan	2.26	0.07
UK	4.82	0.05

Sydney Futures Exchange	Current	Change
10 yr bond	5.00	0.04
3 yr bond	4.60	0.03
3 mth bill rate	4.18	0.00
SPI 200	8,547	-0.7%

Data as at 7:25am AEDT. Change is from the previous trading day (excluding the SFE, which is the change during the night session). Source: Bloomberg.



**Ryan Wells**  
Economist, Westpac Group  
P: +61 401 423 628  
E: ryan.wells@westpac.com.au

## Financial Markets

On Friday evening, the US conducted strikes on Kharg Island, which is responsible for processing 90% of Iran's crude oil exports, largely to China. While the strikes were reportedly limited to military targets and not energy infrastructure, the move marks yet another significant escalation in the conflict which also poses major risks to global crude supply.

- Share markets finished the week on a negative note as traders continue to closely monitor developments from the Middle East. In the US, the S&P 500 (-0.6%), Dow Jones (-0.3%) and NASDAQ (-0.9%) all fell on Friday. European markets fared similarly, the Euro Stoxx 50 (-0.6%) and London's FTSE 100 (-0.4%) both down on Friday, but were little changed over the course of the week.
- Equities sold-off more steeply across Tokyo (-1.2%), Hong Kong (-1.0%) and Seoul (-1.7%), following on from larger declines across the US/Europe on Thursday. While the ASX 200 fell only modestly on Friday (-0.1%), this follows relatively sharper declines earlier in the week.
- Longer-dated treasury continued to climb, with the 10Y and 30Y both lifting 2bps, back toward early February levels. The 2Y meanwhile fell 2bps to 3.72%, just off its six-month high during mid-week. Markets are virtually certain of a hold at this week's FOMC policy decision; commentary from officials will be crucial for near-term pricing, given markets don't have another cut priced in until 2027.
- 10Y Bunds closed at its highest yield since 2011, 10Y Gilts is at its highest yield since January 2025, while 10Y JGBs have risen back to early February levels, just under all-time highs.
- ACGB yields moved higher at the short-end during local trading, but the move carried through across the curve in futures yields overnight. Swap markets continue to price-in around a 65% chance of an RBA rate hike this week, slightly lower than the three-quarters of economists anticipating the move.
- The USD continued to rise, the DXY trading up 0.6% to close back above the 100 mark for the first time since November 2025. The Euro and Sterling both shed -0.8% against the greenback, with the latter also impacted by weaker monthly GDP data. The Yen also fell -0.2%.
- The Aussie and Kiwi dollars had eye-catching moves, both down -1.4% on Friday, but over the course of last week, the Aussie dollar dropped just -0.7% while the Kiwi dollar is down -2.1%. Given the far from unanimous pricing for this week's RBA meeting, a rate hike with similarly hawkish rhetoric could spur further upside for the Aussie dollar.
- Reports of intensifying strikes across the Middle East and continued cuts to crude oil production amid limited storage capacity continues to see crude prices lift higher with

## Today's key data and events

Time	Event	Exp	Prev
8:30	NZ BusinessNZ PSI Feb	-	50.9pts
8:45	NZ Retail Card Spending Feb	-	-1.1%
11:01	GB Rightmove House Prices Mar	-	0.0%
13:00	CN Retail Sales YoY YTD Feb	2.5%	-
13:00	CN Industrial Production YoY YTD Feb	5.3%	-
13:00	CN Fixed Asset Investment YoY YTD Feb	-5.1%	-
23:30	CA CPI Feb YoY	1.9%	2.3%
23:30	US Fed Empire State Mar	3.9pts	7.1pts
0:15	US Industrial Production Feb	0.1%	0.7%
1:00	US NAHB Housing Market Mar	37pts	36pts

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.

significant intraday volatility. On Friday, Brent and WTI surged another 2.7% and 3.1% to close at US\$103.14/bbl and US\$98.71/bbl respectively.

- Metals fell in a risk-off move, both LME copper and aluminium down -1.7% and -2.2% respectively. Gold posted its third consecutive decline, down -1.2% to US\$5,019/oz as concerns over inflation continue to push yields and the USD higher.

## International Data

In the US, the second estimate for **Q4 GDP** suggests the US economy ended 2025 in a weaker state than first realised, annualised growth revised down from 1.4% to 0.7%, in part due to softer growth in consumption. Meanwhile, **personal spending** growth was a touch above expectations in January at 0.4% on a nominal basis and 0.1% in real terms. This is despite **personal income** disappointing at the margin, 0.4%. The **PCE deflator** was as expected, up 0.3% in the month and 2.8% over the year for headline, and 0.4%, 3.1%yr for core.

Growth in **durable goods orders** were flat in January on both a headline and core basis. Uncertainty over trade, and now the conflict in the Middle East, is weighing on business investment. Labour demand continues to hold up, however, as **JOLTS job openings** rose from 6.55mn to 6.95mn in January, while the quit and layoff rates remained broadly unchanged at 2.0% and 1.0% respectively. **UoM consumer sentiment** edged down in March according to the preliminary reading to 55.5, 10pts below the 5-year average.

In the Euro Area, **industrial production** fell 1.5% in January, although two-thirds of the decline was offset by an upward revision to December. Production is down 1.2% for the year.

## Local Data

Westpac Economics published its **March Market Outlook** on Friday, detailing our financial and economic forecasts and our latest analysis on Australia and the global economy, including our updated base case and scenario analysis for the Middle East conflict (see [here](#)).



# Corporate Directory

## Westpac Economics / Australia

### Sydney

Level 19, 275 Kent Street  
Sydney NSW 2000  
Australia

E: [economics@westpac.com.au](mailto:economics@westpac.com.au)

### Luci Ellis

Chief Economist Westpac Group  
E: [luci.ellis@westpac.com.au](mailto:luci.ellis@westpac.com.au)

### Matthew Hassan

Head of Australian Macro-Forecasting  
E: [mhassan@westpac.com.au](mailto:mhassan@westpac.com.au)

### Elliot Clarke

Head of International Economics  
E: [eclarke@westpac.com.au](mailto:eclarke@westpac.com.au)

### Sian Fenner

Head of Business and Industry Economics  
E: [sian.fenner@westpac.com.au](mailto:sian.fenner@westpac.com.au)

### Justin Smirk

Senior Economist  
E: [jsmirk@westpac.com.au](mailto:jsmirk@westpac.com.au)

### Pat Bustamante

Senior Economist  
E: [pat.bustamante@westpac.com.au](mailto:pat.bustamante@westpac.com.au)

### Mantas Vanagas

Senior Economist  
E: [mantas.vanagas@westpac.com.au](mailto:mantas.vanagas@westpac.com.au)

### Ryan Wells

Economist  
E: [ryan.wells@westpac.com.au](mailto:ryan.wells@westpac.com.au)

### Illiana Jain

Economist  
E: [illiana.jain@westpac.com.au](mailto:illiana.jain@westpac.com.au)

### Neha Sharma

Economist  
E: [neha.sharma1@westpac.com.au](mailto:neha.sharma1@westpac.com.au)

### Luka Belobrajdic

Economist  
E: [luka.belobrajdic@westpac.com.au](mailto:luka.belobrajdic@westpac.com.au)

## Westpac Economics / New Zealand

### Auckland

Takutai on the Square  
Level 8, 16 Takutai Square  
Auckland, New Zealand

E: [economics@westpac.co.nz](mailto:economics@westpac.co.nz)

### Kelly Eckhold

Chief Economist NZ  
E: [kelly.eckhold@westpac.co.nz](mailto:kelly.eckhold@westpac.co.nz)

### Michael Gordon

Senior Economist  
E: [michael.gordon@westpac.co.nz](mailto:michael.gordon@westpac.co.nz)

### Darren Gibbs

Senior Economist  
E: [darren.gibbs@westpac.co.nz](mailto:darren.gibbs@westpac.co.nz)

### Satish Ranchhod

Senior Economist  
E: [satish.ranchhod@westpac.co.nz](mailto:satish.ranchhod@westpac.co.nz)

### Paul Clark

Industry Economist  
E: [paul.clarke@westpac.co.nz](mailto:paul.clarke@westpac.co.nz)

## Westpac Economics / Fiji

### Suva

1 Thomson Street  
Suva, Fiji

### Shamal Chand

Senior Economist  
E: [shamal.chand@westpac.com.au](mailto:shamal.chand@westpac.com.au)



[westpaciq.com.au](https://westpaciq.com.au)

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