17 March 2026

MORNING REPORT

Today's economic developments and market movements.

Key themes

After opening higher following the escalation in the Middle East conflict over the weekend, Brent pared gains and eventually finished the day around $100.

The decline in oil prices prompted risk-on sentiment in US equity markets. The S&P500 gained 1.0%, with most major sectors advancing. European and Asian equity markets were more mixed.

Government Bond yields retreated after sharp rises last week. The upcoming announcements from major central banks this are expected to set the tone yield moves going forward.

The RBA is widely anticipated to lift the cash rate by 25bp to 4.10% in today's decision. Against that backdrop, and with the DXY retreating, the AUD was among the best G-10 performers, gaining 1.3% to 0.7071.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	65.4	-0.6%
AUD/USD	0.7071	1.3%
AUD/JPY	112.51	0.9%
AUD/GBP	0.5307	0.5%
AUD/NZD	1.2065	-0.2%
AUD/EUR	0.6145	0.5%
AUD/CNH	4.8711	1.0%
AUD/SGD	0.9034	0.9%
AUD/HKD	5.5363	1.3%
AUD/CAD	0.9674	1.0%
EUR/USD	1.1505	0.8%
USD/JPY	159.12	-0.4%
USD Index	99.80	-0.6%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	4.00	0.00
90 day BBSY	4.22	0.00
180 day BBSY	4.68	0.01
1 year swap	4.47	0.00
2 year swap	4.54	-0.01
3 year swap	4.55	-0.03
4 year swap	4.58	-0.02
5 year swap	4.62	-0.02
6 year swap	4.66	-0.02
7 year swap	4.71	-0.03
8 year swap	4.75	-0.03
9 year swap	4.80	-0.03
10 year swap	5.04	-0.03

Equities	Close	Change
S&P/ASX 200	8,583	-0.4%
S&P 500	6,699	1.0%
Japan Nikkei	53,751	-0.1%
Hang Seng	25,834	1.4%
Euro Stoxx 50	5,739	0.4%
UK FTSE100	10,318	0.6%
VIX Index	23.55	-13.4%

Commodities	Current	Change
CRB Index	359.72	-1.7%
Gold	5015.60	-0.1%
Copper	12856	0.6%
Oil (WTI futures)	93.35	-5.4%
Coal (coking)	221.00	0.2%
Coal (thermal)	135.00	-1.7%
Iron Ore	107.25	-0.2%
ACCU	36.13	-4.3%

Government Bond Yields	Close	Change
Australia		
3 year bond	4.59	0.03
10 year bond	5.00	0.05
United States		
3-month T Bill	3.60	-0.01
2 year bond	3.67	-0.05
10 year bond	4.22	-0.06
Other (10 year yields)		
Germany	2.95	-0.03
Japan	2.28	0.02
UK	4.77	-0.05

Sydney Futures Exchange	Current	Change
10 yr bond	4.99	-0.06
3 yr bond	4.60	-0.04
3 mth bill rate	4.18	0.00
SPI 200	8,646	0.8%

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

The escalation of the Middle East conflict over the weekend – with Iran continuing its attacks on regional infrastructure and energy facilities, and the US striking Iran's Kharg Island in the Persian Gulf, a major hub for Iranian crude exports – saw Brent crude opening higher and peaking at $106. However, prices retreated to around $100 by the end of the day, as the UK, Germany, France and Japan, among others, declined to join the US-led effort to protect vessels in the Strait of Hormuz. Reports indicated that some ships are managing to exit the Persian Gulf, raising some hopes that oil flows from the region may improve.

- The decline in oil prices prompted risk-on sentiment in US equity markets. The S&P500 gained 1.0%, with most major sectors advancing. Technology stocks rose 1.4%, recovering some of last week's losses. European and Asian markets were more mixed. The Eurostoxx 50 rose 0.4%, supported by further gains in energy stocks, though automotive shares continued to decline. Asian equity benchmarks were mixed, with Japan's Nikkei 225 falling 0.1%, while the Hang Seng gained 1.4% as Chinese equities broadly rallied after a stronger-than-expected set of monthly activity indicators. Domestically, the ASX200 slipped 0.4%.
- Government bond yields retreated after sharp rises last week. US Treasury yields were 4–6bp lower. In Europe, 10Y Gilt and Bund yields fell by 5bp and 3bp respectively. Equivalent JGB yield rose by 2bp, while Australian yields also increased, by around 3–5bp, with the 10Y yield reaching 5%. The upcoming announcements from major central banks this week – which will clarify how policymakers are assessing the implications of the global energy price shock – are expected to set the tone for bond markets going forward. The RBA is widely anticipated to lift the cash rate by 25bp to 4.10% in today's decision.
- In FX markets, the risk-on mood saw the DXY fall 0.6% to below 100, giving other currencies room to recover. The EUR and GBP rose by 0.8% and 0.7% respectively. The Yen appreciated 0.4% as Japan's Finance Minister signalled that authorities stand ready to intervene if the currency continues to weaken. The AUD was among the best G-10 performers, gaining 1.3% to 0.7071.
- In commodity markets, the May Brent contract fell to $100.1 – a 3% decline for the day. The April WTI contract fell 5.4% to $93.35. Gold was little changed after notable losses towards $5000 last week. A technical outage briefly halted trading on the London Metal Exchange, where copper finished up 0.6%, stabilising after three consecutive declines. Iron ore was steady at $107.25.

Today's key data and events

Time	Event	Exp	Prev
8:45	NZ Food Price Index Feb	-	2.5%
14:30	AU RBA Policy Decision	4.10%	3.8%
21:00	EZ Zew Survey Of Expectations Mar	-	39.4pts
1:00	US Leading Index Feb	-	-0.2pts
1:00	US Pending Home Sales Feb	-1.0%	-0.8%

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

China's latest monthly activity indicators were modestly stronger than anticipated, yet calendar effects and distortions from the extended Lunar New Year likely influenced the results. This suggests the prevailing narrative of below-trend growth in the world's second largest economy remains relevant. Industrial production growth continued to underpin overall activity, with annual growth for January–February reaching 6.3%yr. However, as highlighted by last week's robust export data, this strength is largely driven by foreign demand, while domestic demand remains subdued. Retail sales growth accelerated to 2.8%yr, up from 0.9%yr in December, however, this improvement was boosted by the longer Lunar New Year holidays this year, with categories such as catering seeing notable gains. Fixed asset investment growth was subdued, with a 1.8%yr annual increase, a significant improvement over the –3.8%yr contraction in 2025, yet still reflecting overcapacity in many industries.

US industrial production rose 0.2%mth in February, slightly surpassing expectations. This followed a 0.8%mth increase in January and was consistent with 1.0%qtr gain so far in Q1 2026, which would mark the strongest quarterly result in a year. January's gains were primarily driven by manufacturing and mining, while utilities output contracted 0.6%mth after a 6.0%mth surge in December and near-flat performance in January.

The New York Fed Empire State Manufacturing Survey indicated that business activity was nearly unchanged in March, with the headline index falling from above 7 in the previous two months to –0.2. This was below the ten-year average of around 3.5.

The NAHB survey of single-family home builders showed little change in US housing market sentiment for March. The headline index edged up from 37 to 38, aligning with the six-month average. Despite ongoing house price growth, shifting interest rate expectations in response to the global energy price shock and higher housing inventory levels are keeping builder optimism restrained.

Local Data

In New Zealand, **retail spending** bounced in February, rising 1.4% over the month. That reversed the large and unexpected fall in January, and leaves us with a picture of firming consumer spending in the early part of this year (see here).

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