



18 March 2026

MORNING REPORT

Today's economic developments and market movements.

Key themes

While Iranian missiles and drones continue to target infrastructure and energy facilities in the Middle East, Israel announced the killing of Ali Larijani, Iran's security chief and one of the country's leaders.

Brent crude traded in a tighter range in comparison to recent days, with prices rebounding from the \$100 mark to \$103.

Calmer oil trading supported a cautious recovery in equity markets. Government bonds rallied, trimming losses seen since the start of the conflict.

Domestically, focus was on the RBA – as anticipated, the central bank raised the cash rate by 25bp to 4.10%. We continue to expect another interest rate increase in May, though it will likely depend on developments in the Middle East conflict.

The initial bond market reaction to the RBA announcement was dovish – likely reflecting the split vote – however, yields rebounded following the Governor's press conference.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	65.9	0.8%
AUD/USD	0.7106	0.5%
AUD/JPY	113.00	0.5%
AUD/GBP	0.5321	0.2%
AUD/NZD	1.2130	0.5%
AUD/EUR	0.6158	0.2%
AUD/CNH	4.8907	0.4%
AUD/SGD	0.9069	0.4%
AUD/HKD	5.5684	0.6%
AUD/CAD	0.9729	0.5%
EUR/USD	1.1538	0.3%
USD/JPY	159.03	0.0%
USD Index	99.56	-0.2%

Equities	Close	Change
S&P/ASX 200	8,614	0.4%
S&P 500	6,716	0.3%
Japan Nikkei	53,700	-0.1%
Hang Seng	25,869	0.1%
Euro Stoxx 50	5,769	0.5%
UK FTSE100	10,404	0.8%
VIX Index	22.43	-4.6%

Commodities	Current	Change
CRB Index	364.40	1.3%
Gold	5004.10	0.0%
Copper	12775	-0.6%
Oil (WTI futures)	96.22	2.9%
Coal (coking)	221.50	0.2%
Coal (thermal)	134.75	-0.2%
Iron Ore	108.40	1.2%
ACCU	36.13	-4.3%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	4.00	0.00
90 day BBSY	4.23	0.01
180 day BBSY	4.68	0.00
1 year swap	4.49	0.02
2 year swap	4.52	-0.02
3 year swap	4.52	-0.03
4 year swap	4.53	-0.04
5 year swap	4.57	-0.05
6 year swap	4.61	-0.05
7 year swap	4.66	-0.05
8 year swap	4.70	-0.05
9 year swap	4.74	-0.05
10 year swap	5.00	-0.03

Government Bond Yields	Close	Change
Australia		
3 year bond	4.55	-0.04
10 year bond	4.94	-0.06
United States		
3-month T Bill	3.60	0.00
2 year bond	3.67	0.00
10 year bond	4.20	-0.02
Other (10 year yields)		
Germany	2.91	-0.05
Japan	2.28	0.00
UK	4.69	-0.08

Sydney Futures Exchange	Current	Change
10 yr bond	4.94	-0.04
3 yr bond	4.56	-0.03
3 mth bill rate	4.18	0.00
SPI 200	8,619	0.1%

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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Financial Markets

Brent crude traded in a tighter range in comparison to recent days, with prices rebounding from the \$100 mark to \$103. Iranian missiles and drones continue to target infrastructure and energy facilities in the Middle East, striking oil and gas fields in the UAE. Israel announced the killing of Ali Larjani, Iran's security chief and one of the country's leaders. While President Trump's efforts to persuade other countries to join the US navy in escorting tankers through the Strait of Hormuz failed to secure international backing, reports indicated that other nations – including China, India, Pakistan and Turkey – have been in contact with Tehran, seeking to negotiate safe passage for their vessels from the Persian Gulf.

Domestically, focus was on the RBA – as anticipated, the central bank raised the cash rate by 25bp for the second time this year, bringing it to 4.10%. The narrow 5–4 vote in favour of tightening highlighted significant differences of opinion within the Monetary Policy Board, however, Governor Bullock clarified at the press conference that these differences concerned the timing of the hike, not the direction of policy. We continue to expect another interest rate increase in May, though it will likely depend on developments in the Middle East conflict.

- The relatively subdued movement in oil prices supported a cautious recovery in equity markets. The S&P 500 rose 0.3%, with consumer discretionary stocks and the energy sector leading the gains. The US equity benchmark remains more than 2% lower since the escalation of the Middle East conflict at the end of February. European equity benchmarks posted similar or slightly larger increases – the Euro Stoxx 50 was up 0.5% and the FTSE 100 advanced 0.8%. This occurred despite a sharp decline in euro area economic expectations reported by the ZEW survey. In Asia, Japanese and Hong Kong equities were largely stable, while Chinese stocks fell. Domestically, the ASX 200 gained 0.4%.
- Major government bonds rallied, trimming losses seen since the start of the Middle East conflict. The 10Y US Treasury yield declined 2bp to 4.20%. Financial markets are watching today's monetary policy announcement at the Fed closely – while no change in policy is expected, investors will scrutinise the central bank's communication and updated forecasts for its assessment of risks, including inflationary pressures from the energy price shock.
- Other major government bonds also made gains – Gilt yields were 5–8bp lower, while Bund yields fell 2–5bp. Australian yields ended the day lower as well, with the 10Y falling 6bp to 4.94% and the short end of the curve declining 4bp. The initial bond market reaction to the RBA announcement was dovish – likely reflecting the split vote – however, yields rebounded following the Governor's press conference.

Today's key data and events

Time	Event	Exp	Prev
7:00	NZ Westpac-MM Cons. Confidence Q1	-	96.5pts
8:45	NZ Current Account Balance Q4	-NZ\$4.8b	-NZ\$8.4b
10:30	AU Westpac-MI Leading Index Feb	-	0.0%
23:30	US PPI Feb	0.3%	0.5%
0:45	CA BoC Policy Decision 18/03/2026	2.2%	2.2%
1:00	US Factory Orders Jan	0.1%	-0.7%
1:00	US Durable Goods Orders Jan Final	0.0%	0.0%
5:00	US FOMC Policy Decision 18/03/2026	3.8%	3.8%

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.

- In FX markets, the DXY posted a second consecutive depreciation, by 0.2% this time. Major European currencies regained some ground, with both the EUR and GBP up 0.3%. Supported by the RBA's interest rate hike, the AUD gained 0.5%, breaking through the 0.71 mark again.
- In commodity markets, the May Brent contract settled at \$103.7, while the April WTI future traded at \$96.2. Both represented an increase of around 3% on the day. Gold remained unchanged, trading at around \$5,000, while copper declined 0.6%. Iron ore rose 1.2% to \$108.5.

International Data

The euro area ZEW survey of financial market experts showed the effects from conflict in the Middle East – higher energy prices and sharply increasing inflationary pressures – could derail the euro area economy. The economic expectations index declined from around 40 in the prior couple of months to -8.5, the lowest level since April 2025, which reflected a sharp negative reaction to the increasing US import tariffs. The inflation expectations indicator rose to 79.0, about 10 points higher than March 2022, when Russia's invasion in Ukraine saw energy prices surging. The current economic situation also worsened, but at -29.9, the relevant indicator was only at five-month low.

US pending home sales surprised to the upside in February, growing 1.8%*month* and suggesting somewhat stronger pipeline of sales going forward. The increase followed sharp decreases around the turn of the year, so on the year-ended basis, growth remained negative, at -0.6%*year*.

Local Data

As was widely expected, the RBA Monetary Policy Board raised the cash rate 25bps to 4.10% following its March meeting. The main reasons for the decision were the existing assessment that Australia is experiencing capacity pressures, coupled with the increase in inflation expectations that has already occurred in response to the Middle East conflict and associated spike in petrol prices. We retain a further policy rate increase in May as our base case. Whether the conflict in the Middle East is still ongoing and how it evolves from here will be crucial ([see here](#)).



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