



20 March 2026

MORNING REPORT

Today's economic developments and market movements.

Key themes

It was another volatile session of trading for crude oil, prices initially surging on reports elaborating on the damage to energy infrastructure in recent days of the Middle East the conflict, but paring back following de-escalatory messaging and news that the US is authorising the delivery and sale of some Russian crude oil.

Global bonds also had a volatile session. Yields in Europe and the UK surged after on-hold decisions from the ECB and Bank of England were accompanied with an emphasis on being alert to possible upside inflation risks emanating from the Middle East, albeit uncertain.

The USD had its weakest day since January against this backdrop of whiplash in crude oil prices and relative yields. Share markets also fared negatively in this context, though European and Asian markets bore the brunt of higher oil prices during local trading.

Data snapshot

| FX Last 24 hrs | Current | Change |
|----------------|---------|--------|
| TWI | 65.8 | -0.6% |
| AUD/USD | 0.7086 | 0.9% |
| AUD/JPY | 111.72 | -0.5% |
| AUD/GBP | 0.5275 | -0.4% |
| AUD/NZD | 1.2062 | -0.4% |
| AUD/EUR | 0.6115 | -0.3% |
| AUD/CNH | 4.8768 | 0.6% |
| AUD/SGD | 0.9050 | 0.4% |
| AUD/HKD | 5.5514 | 0.8% |
| AUD/CAD | 0.9738 | 1.0% |
| EUR/USD | 1.1588 | 1.2% |
| USD/JPY | 157.67 | -1.4% |
| USD Index | 99.23 | -0.9% |

| Equities | Close | Change |
|---------------|--------|--------|
| S&P/ASX 200 | 8,498 | -1.7% |
| S&P 500 | 6,606 | -0.3% |
| Japan Nikkei | 53,373 | -3.4% |
| Hang Seng | 25,501 | -2.0% |
| Euro Stoxx 50 | 5,614 | -2.1% |
| UK FTSE100 | 10,064 | -2.3% |
| VIX Index | 24.06 | -4.1% |

| Commodities | Current | Change |
|-------------------|---------|--------|
| CRB Index | 364.20 | -0.1% |
| Gold | 4658.04 | -3.3% |
| Copper | 12146 | -2.0% |
| Oil (WTI futures) | 94.85 | -1.5% |
| Coal (coking) | 221.50 | 0.2% |
| Coal (thermal) | 145.20 | 4.2% |
| Iron Ore | 107.65 | -0.1% |
| ACCU | 36.13 | -4.3% |

| AUS Interest Rate Swaps | Last | Change |
|-------------------------|------|--------|
| 30 day BBSY | 4.10 | -0.01 |
| 90 day BBSY | 4.32 | 0.01 |
| 180 day BBSY | 4.77 | 0.02 |
| 1 year swap | 4.65 | 0.11 |
| 2 year swap | 4.72 | 0.15 |
| 3 year swap | 4.70 | 0.16 |
| 4 year swap | 4.70 | 0.14 |
| 5 year swap | 4.72 | 0.13 |
| 6 year swap | 4.75 | 0.13 |
| 7 year swap | 4.78 | 0.11 |
| 8 year swap | 4.82 | 0.10 |
| 9 year swap | 4.86 | 0.10 |
| 10 year swap | 5.09 | 0.04 |

| Government Bond Yields | Close | Change |
|-------------------------------|-------|--------|
| Australia | | |
| 3 year bond | 4.62 | 0.11 |
| 10 year bond | 4.98 | 0.08 |
| United States | | |
| 3-month T Bill | 3.61 | -0.01 |
| 2 year bond | 3.79 | 0.02 |
| 10 year bond | 4.25 | -0.01 |
| Other (10 year yields) | | |
| Germany | 2.96 | 0.02 |
| Japan | 2.28 | 0.06 |
| UK | 4.84 | 0.11 |

| Sydney Futures Exchange | Current | Change |
|-------------------------|---------|--------|
| 10 yr bond | 5.04 | 0.02 |
| 3 yr bond | 4.73 | 0.07 |
| 3 mth bill rate | 4.18 | 0.00 |
| SPI 200 | 8,530 | -0.1% |

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

Reports elaborating on the extent of the damage done to energy infrastructure were a key focus for markets. Most notably, QatarEnergy's CEO and state minister for energy affairs stated in an interview with Reuters that Iranian strikes knocked out 17% of Qatar's LNG export capacity, which will sideline 12.8 million tons per year of LNG for three to five years, threatening supplies to Europe and Asia.

Israeli Prime Minister Netanyahu engaged in de-escalatory messaging in a subsequent press conference, stating that Iran currently has no capacity to enrich uranium or make ballistic missiles, and that the war will "end a lot faster than people think". The US meanwhile authorised the delivery and sale of some Russian crude oil. These developments went some way to unwinding the price action in crude.

- Share markets ultimately finished in the red as traders continued to monitor the volatile price action in crude oil. In the US, equity losses were less severe as crude oil prices gave back the earlier surge and settled lower over the NY session, though the S&P 500 (-0.3%), Dow Jones (-0.4%) and NASDAQ (-0.3%) still all finished lower.
- European and Asian equity markets meanwhile suffered larger losses against the backdrop of surging oil prices during their local trading. The Euro Stoxx 50 (-2.1%) and FTSE 100 (-2.3%) fell in similar proportion. Declines were more varied across Asia: larger in Tokyo (-3.4%) and Seoul (-2.7%), but slightly more moderate in Hong Kong (-2.0%). The ASX 200 dropped -1.7%, and futures markets are pointing to a weaker opening.
- Global bonds also had a volatile session as markets digested messaging from several central bank policy decisions. In the US, shorter-dated treasury yields were whipsawed, yields surging as much as 18bps intraday, before finishing the session around 2bps higher. Longer-dated treasury yields meanwhile dropped, the 10Y by 1bp and the 30Y by 4bps. Market pricing has effectively removed the chance a rate cut this year.
- Shorter-dated Bunds and Gilts also saw eye-catching moves, 2Y's selling off materially seeing yields finish 14bps and 30bps higher respectively. This follows on-hold decisions from the ECB and Bank of England overnight, with both central banks emphasising the uncertainty emanating from the Middle East conflict, but similarly alert to the possible upside risks to inflation. Indeed, market pricing for both central banks is now factoring in rate hikes over the remainder of this year.
- ACGBs sold-off materially during local trading and this momentum carried into futures yields in overnight trading. Swaps markets are pricing in the next RBA rate hike by June, with May seen roughly as a 50/50 proposition.

Today's key data and events

| Time | Event | Exp | Prev |
|-------|------------------------------------|-----|-------|
| 8:45 | NZ Trade Balance Feb NZ\$mn | - | -519 |
| 18:00 | GB Public Sector Borrowing Feb £bn | 8.8 | -30.4 |

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.

- The USD sold-off considerably overnight, the DXY shedding around -0.9% to 99.23 at the time of writing, its worst day since January. The move reflects a combination of a pull-back in crude oil prices during the NY session and relative yield appeal. The scale of appreciation were similar across the major DXY pairs, the Euro rising 1.2% against the greenback while the Japanese Yen and Sterling managed to gain 1.4%. The Aussie dollar gained 0.9%.
- It was another very volatile day of trading for crude oil, initially surging on reports elaborating on the extent of the damage done to energy infrastructure in recent days during the conflict, but paring back on attempts at de-escalatory messaging from the US and Israel. WTI finished -1.5% lower at US\$94.85/bbl respectively.
- Metals continued to sell-off considerably amid concerns over the conflict, LME copper down -2.0% to a new low for the year at US\$12,146/t, while aluminium shed another -4.4% to US\$3,252/t. Gold also continues to trade lower, down -3.3% to around US\$4,658/oz, driven by a delay in rate cuts bets and the associated rise in yields.

International Data

The **ECB** unanimously voted to keep interest rates unchanged, with the deposit rate remaining at 2.0%. The policy statement highlighted that the outlook has become considerably more uncertain due to the Middle East conflict and the energy price shock, yet maintained a balanced tone, noting that "monetary policy is well positioned to navigate this uncertainty".

Previously, the ECB expected inflation to be slightly below 2% in 2026 and 2027. Now, the ECB forecasts inflation to peak at 3.1%yr in Q2 and average 2.6%yr for this calendar year. These projections are based on financial market variables, including higher oil and gas prices, as of 11 March

The ECB also released stress scenarios that assume more severe energy supply disruptions via the Strait of Hormuz and higher energy prices. In an adverse scenario – which appears closer to current energy price trends – the ECB sees inflation at 3.5%yr for this year, while in a severe scenario it could rise as high as 4.4%yr. The impact on GDP growth appears to be more manageable, though still significant. Under the baseline scenario, growth is now expected to be 0.9%yr for this year, down from 1.2%yr forecast three months ago. It would be 0.3ppt and 0.5ppt lower in the adverse and severe stress scenarios, respectively.

The **Bank of England**, having previously voted to cut Bank Rate by the narrowest of margins in February, unanimously opted to maintain the policy rate at 3.75%. Both the policy

summary and meeting minutes emphasised the ongoing conflict in the Middle East and its repercussions for UK inflation. The committee remains particularly vigilant for any indications of domestic inflationary pressures emerging through second-round effects. However, they also acknowledged the implications for inflation from weakening economic activity.

In the minutes, MPC members noted that the policy stance has shifted from considering rate cuts towards the possibility of hikes, with concerns about higher inflation outweighing downside risks to growth. Even the most dovish members now appear open to the prospect of a rate hike.

Data-wise, the US' **new home sales** fell 17.6% in January after a 6.8% decline in December. The level of sales is now 43% below its 2021 peak, and near the lows of 2022. In a sign of a robust labour market, **initial jobless claims** edged down slightly to 205k, still a low level versus history. The UK's **unemployment rate** was unchanged in January at 5.2% as employment growth strengthened on a 3-month average basis from 52k to 84k.

Local Data

In Australia, the **February Labour Force Survey** reported a +48.9k gain in employment, and with the participation rate lifting to 66.9%, the unemployment rate rose from 4.1% to 4.3% (see [here](#)).

In New Zealand, **Q4 GDP** came in lower than expected, up by 0.2% (1.3%yr), but the data still suggests the economy was regaining momentum late last year (see [here](#)).



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