23 March 2026

MORNING REPORT

Today's economic developments and market movements.

Key themes

The risk off tone continued over the final session of the week as the conflict in the Middle East intensified, with little prospect of a near term resolution.

There was a sea of red across all major global equity markets, with key indices in the US now recording four consecutive weeks of losses. Equities were also sold off across Europe and Asia.

The global bond sell off intensified, with yields jumping higher in both the US and Europe. Ten-year yields rose 11bps and 13bps in the US and UK, respectively. Local yields on futures also moved higher, with 10-year yields rising to almost 5.2%, the highest level since 2011. Markets have now priced in a terminal RBA cash rate of 4.85%, suggesting the RBA could hike another three times.

The US dollar was bid amid risk aversion, with the USD index up 0.4% to 99.65. The Aussie underperformed, falling around 1% to 0.7023, with losses broad based across the crosses.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	66.1	0.5%
AUD/USD	0.7023	-0.9%
AUD/JPY	111.82	0.0%
AUD/GBP	0.5260	-0.3%
AUD/NZD	1.2043	-0.2%
AUD/EUR	0.6070	-0.7%
AUD/CNH	4.8502	-0.5%
AUD/SGD	0.9005	-0.5%
AUD/HKD	5.5011	-0.9%
AUD/CAD	0.9630	-1.1%
EUR/USD	1.1572	-0.1%
USD/JPY	159.23	1.0%
USD Index	99.65	0.4%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	4.11	0.01
90 day BBSY	4.34	0.02
180 day BBSY	4.81	0.04
1 year swap	4.74	0.09
2 year swap	4.84	0.15
3 year swap	4.84	0.14
4 year swap	4.84	0.14
5 year swap	4.82	0.11
6 year swap	4.88	0.13
7 year swap	4.91	0.12
8 year swap	4.94	0.12
9 year swap	4.97	0.12
10 year swap	5.23	0.14

Equities	Close	Change
S&P/ASX 200	8,428	-0.8%
S&P 500	6,506	-1.5%
Japan Nikkei	53,373	-3.4%
Hang Seng	25,277	-0.9%
Euro Stoxx 50	5,501	-2.0%
UK FTSE100	9,918	-1.4%
VIX Index	26.78	11.3%

Government Bond Yields	Close	Change
Australia		
3 year bond	4.79	0.17
10 year bond	5.02	0.05
United States		
3-month T Bill	3.62	0.00
2 year bond	3.90	0.11
10 year bond	4.38	0.13
Other (10 year yields)		
Germany	3.04	0.08
Japan	2.28	0.00
UK	4.99	0.15

Commodities	Current	Change
CRB Index	367.12	0.8%
Gold	4492.42	-3.4%
Copper	11930	-1.8%
Oil (WTI futures)	98.23	2.8%
Coal (coking)	222.00	0.2%
Coal (thermal)	146.50	0.9%
Iron Ore	107.90	-0.3%
ACCU	36.13	-4.3%

Sydney Futures Exchange	Current	Change
10 yr bond	5.18	0.11
3 yr bond	4.90	0.06
3 mth bill rate	4.18	0.00
SPI 200	8,343	-1.8%

Data as at 7:00am 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

- Risk sentiment deteriorated sharply overnight as the conflict in the Middle East escalated, with no end in sight, heightening concerns over global growth and inflation. Reports suggest the US is considering plans to occupy Iran's Kharg Island to push for the reopening of the Strait of Hormuz. The WSJ reported that the Pentagon is sending thousands of additional Marines to the Middle East. Iran pressed ahead with strikes on Gulf Arab states' energy assets. All of this suggests the conflict is far from over, with markets reacting swiftly and decisively. This is despite the US President declaring the fight with Iran is "militarily won."
- In the US, stocks fell sharply, marking the fourth consecutive weekly loss. The S&P 500 fell 1.5% to finish the week 1.9% lower. The Dow Jones Industrial Average declined 1.0% on the day and 2.0% over the week, while the Nasdaq dropped 2.0% and 2.1%, respectively. Reflecting the spike in uncertainty, the VIX jumped more than 11% to 26.8.
- European equities also moved decisively lower, as stocks and bonds continued to sell off amid an increasingly uncertain global backdrop, falling for a third consecutive week. The Euro Stoxx 50 fell 2.0%, Germany's DAX declined 2.0%, and the UK's FTSE 100 dropped 1.4%. Asian equities were also weak. Japan's Nikkei underperformed sharply, falling 3.4%, while Hong Kong's Hang Seng declined 0.9%. Locally, the S&P/ASX 200 fell 0.8% to 8,428, and SPI futures point to a weaker start today, down a hefty 1.8%.
- Bonds continued to sell off amid heightened inflation risks. US Treasury yields rose sharply across the curve. The 2 year yield increased 11bps to 3.90%, while the 10 year yield rose 13bps to 4.38%. Interest rate futures now expect no more cuts this year, instead pricing in around half a Fed hike (or 12bps) by October, a sharp reversal from the one cut priced just a week ago. European yields also moved higher, with UK 10 year gilt yields jumping 15bps to 4.99%.
- Australian yields followed global moves higher. The 3 year government bond yield rose 11bps on futures to 4.90%, while the 10 year yield increased 11bps on futures to 5.18%, the highest level since 2011. OIS pricing suggests a terminal cash rate this year of around 4.85%, with the first full rate hike pencilled in for June.
- In FX markets, the US dollar was bid amid risk aversion. The USD index rose 0.4% to 99.65. The Australian dollar underperformed, falling around 1% to 0.7023, with losses broad based across the crosses. AUD/CAD and AUD/USD were particularly weak. EUR/USD edged lower to 1.1572, while USD/JPY climbed above 159, underscoring continued divergence in policy expectations.

Today's key data and events

Time	Event	Exp	Prev
23:30	US Chicago Fed Activity Index Feb	-	0.2pts
1:00	US Construction Spending Jan	0.1%	0.3%
2:00	EZ Consumer Confidence Mar Prel.	-	-12.2pts

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.

- Commodity markets were volatile. Oil prices surged as geopolitical risks intensified, with WTI futures rising 2.8% to around USD 98/bbl. Gold sold off sharply despite the risk off tone, falling 3.4% to around USD 4,492/oz as USD strength dominated. Base metals weakened, with copper down 1.8%. Coal prices were mixed, with thermal coal up modestly while coking coal edged higher. Iron ore eased slightly to around USD 108/t.

International Data

The **Euro Area's trade** surplus widened at the margin in January from 11.6bn to 12.1bn. Exports fell 1.9% in the month, but imports declined 2.8%.

FOMC member Waller said he is cautious about the impact of surging oil prices on inflation, although a weak job market may still require interest-rate cuts: "Caution is warranted. It doesn't mean that I'm going to stay put for the rest of the year. I just want to wait and see where this goes, and if things go reasonably well, and the labour market continues to be weak, I would start advocating again for cutting the policy rate later this year."

Bowman continued to advocate three cuts this year: "Of course, I've written three cuts in before the end of 2026 to hopefully support the labour market, Its too soon to tell what the impacts of Iran and the conflict may be, but I do expect that we'll start to see some of the supply-side policies working their way through the economy."

Local Data

Westpac-Now points to GDP growth of around 0.6% qtr in Q1 2026 (range: 0.55–0.75% qtr), lifting year-ended growth to 2.8% yr. This suggests the underlying growth momentum has eased heading into 2026, with January data pointing to a slight moderation even before recent external shocks and tighter monetary policy had occurred (see here).

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