25 March 2026

MORNING REPORT

Today's economic developments and market movements.

Key themes

The stakes in the conflict appear to be rising, with reports indicating that Saudi Arabia and the UAE are now taking more assertive actions against Iran, and the US is reportedly preparing to deploy 3,000 troops to the region.

Hopes for diplomatic progress remain, as the US and other regional countries are discussing the possibility of holding high-level peace negotiations as soon as this week – however, Iran's position on the matter remains unclear.

With mixed news flow surrounding developments in the Middle East, major equity markets struggled to find direction. The S&P 500 in the US closed 0.4% lower. High uncertainty saw FX investors seeking safety – the DXY index gained 0.3%

Major government bonds sold off, as higher oil prices added to expectations of increasing inflationary pressures and tighter monetary policy.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	65.0	-0.5%
AUD/USD	0.6994	-0.2%
AUD/JPY	111.01	-0.1%
AUD/GBP	0.5216	-0.1%
AUD/NZD	1.1984	0.1%
AUD/EUR	0.6027	-0.2%
AUD/CNH	4.8219	-0.1%
AUD/SGD	0.8940	0.0%
AUD/HKD	5.4735	-0.3%
AUD/CAD	0.9622	0.0%
EUR/USD	1.1606	-0.1%
USD/JPY	158.73	0.2%
USD Index	99.24	0.3%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	4.10	0.00
90 day BBSY	4.33	-0.03
180 day BBSY	4.76	-0.08
1 year swap	4.64	0.00
2 year swap	4.74	0.01
3 year swap	4.76	0.05
4 year swap	4.77	0.03
5 year swap	4.79	0.03
6 year swap	4.83	0.03
7 year swap	4.87	0.03
8 year swap	4.91	0.03
9 year swap	4.95	0.03
10 year swap	5.19	0.04

Equities	Close	Change
S&P/ASX 200	8,379	0.2%
S&P 500	6,556	-0.4%
Japan Nikkei	52,252	1.4%
Hang Seng	25,064	2.8%
Euro Stoxx 50	5,581	0.1%
UK FTSE100	9,965	0.7%
VIX Index	26.95	3.1%

Commodities	Current	Change
CRB Index	359.25	2.4%
Gold	4461.85	1.2%
Copper	12100	-0.5%
Oil (WTI futures)	89.21	1.2%
Coal (coking)	222.50	0.0%
Coal (thermal)	146.20	0.4%
Iron Ore	108.15	-0.5%
ACCU	36.13	-4.3%

Government Bond Yields	Close	Change
Australia		
3 year bond	4.73	-0.09
10 year bond	5.04	-0.07
United States		
3-month T Bill	3.60	-0.01
2 year bond	3.90	0.05
10 year bond	4.36	0.02
Other (10 year yields)		
Germany	3.03	0.02
Japan	2.27	-0.05
UK	4.96	0.04

Sydney Futures Exchange	Current	Change
10 yr bond	5.10	0.02
3 yr bond	4.77	0.00
3 mth bill rate	4.18	0.00
SPI 200	8,468	0.6%

Data as at 7:45am AEDT. Change is from the previous trading day (excluding the SFE, which is the change during the night session). Source: Bloomberg.

Mantas Vanagas
Senior Economist, Westpac Group
P: +61 422 030 326
E: mantas.vanagas@westpac.com.au

Financial Markets

President Trump's comments that the US and Iran have had "very good and productive conversations regarding a complete and total resolution of our hostilities" was promptly denied by Iran, raising questions about the accuracy of this assessment.

The stakes in the conflict appear to be rising, with reports indicating that Saudi Arabia and the UAE – both of which previously avoided direct confrontation with Iran – are now taking more assertive actions, including Saudi Arabia granting the US access to its military base. Meanwhile, the US is reportedly preparing to deploy 3,000 troops to the region.

Hopes for diplomatic progress remain, as the US and other regional countries are discussing the possibility of holding high-level peace negotiations as soon as this week – however, Iran's position on the matter remains unclear.

Preliminary S&P Global March PMIs released in major advanced economies sent a clear message about the challenges major central banks may soon face, as PMI activity indicators softened while both input and output price measures rose significantly.

- With mixed news flow surrounding developments in the Middle East, major equity markets struggled to find direction. The S&P 500 in the US closed 0.4% lower, despite higher oil prices boosting energy stocks. Closing ahead of the latest headlines regarding US troop deployment, European and Asian stocks traded in positive territory – the Euro Stoxx 50 and FTSE 100 rose by 0.1% and 0.7% respectively. The Nikkei 225 gained 1.4% but remains more than 11% lower since the end of February – underperforming other major benchmarks. The domestic ASX 200 advanced by 0.2%, with performance mixed across key sectors.
- Major government bonds sold off, as higher oil prices added to expectations of increasing inflationary pressures and tighter monetary policy. US Treasuries yields were 1–5bp higher across the curve, with the 10Y trading at 4.36%. In Europe, Bund and Gilt yields moved higher, mainly at the short end, with market pricing now implying three rate hikes this year for both the ECB and BoE – up from around two and a half at the start of the week. Australian government bond yields were markedly lower, with the 10Y down 7bp to 5.04%.
- In the FX space, uncertainty about the situation in the Middle East saw investors seeking safety – the DXY index gained 0.3% in the day. Other major currencies retreated, with the EUR, GBP and Yen losing 0.1–0.2%. The AUD slipped 0.2%, falling back below the 0.70 mark.
- The oil market remained particularly volatile, with fresh headlines this morning about the US seeking a one-month ceasefire in the conflict sending Brent $5.5 lower. Brent is now settling around $100, while WTI trades at approximately $89.

Today's key data and events

Time	Event	Exp	Prev
-	NZ Westpac MM Empl. Confidence Q1	-	93.8
11:30am	AU Monthly CPI Indicator Feb	2.5%	2.5%
18:00pm	UK CPI Yr Feb	3.8%	3.8%
20:00pm	Germany IFO Business Survey Mar	87.0	88.6
23:30pm	US Import Prices Mth Mar	-	0.2%

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.

Among other major commodities, gold stabilised after recent heavy losses. Copper and iron ore fell by 0.5%.

International Data

Preliminary March PMIs across major advanced economies indicated a slowdown in growth momentum alongside heightened inflationary pressures, as the ongoing conflict in the Middle East is driving energy costs higher.

The UK appears to be most impacted by the global shock, with its **S&P Global composite PMI** declining by 2.7pts to 51.0, nearly matching last year's average. This decrease was primarily driven by the services sector, while the manufacturing index slipped by just 0.3pts. Nevertheless, manufacturers were clearly concerned about rising input costs – the relevant index jumped sharply to the highest level since the post-pandemic inflationary shock. Given the notable increase in the first two months of the year, the composite index average for the Q1 value of 52.8 was still the highest since Q3 2024.

The **S&P Global euro area PMIs** showed a broadly similar trend. The composite index fell 1.4pts to 50.5, marking a ten-month low. The decline was mainly attributable to weaker growth in services, while the manufacturing index increased by 0.6pts. In addition to decelerating growth, businesses reported a strong inflationary impulse, with both input and output price measures stepping notably higher.

The **S&P Global PMIs in the US** reflected a somewhat more muted response to the shock, as the composite index edged down only 0.5pts. It was still at only 51.4, the lowest level since April last year. Manufacturing output growth accelerated slightly, driven by increased new orders, which may reflect a surge in demand to mitigate supply disruptions or pre-empt future price increases. The services index slipped 0.6pts. Following a significant drop in the composite indicator in February, the Q1 average declined notably compared with Q4.

The **Richmond Fed Fifth District Manufacturing Survey** unexpectedly improved in March, with the headline indicator rising from -10 to zero, its highest level in more than a year. Both shipments and new orders components increased significantly, with new orders climbing above the long-term average.

Corporate Directory

Westpac Economics / Australia

Sydney
Level 19, 275 Kent Street
Sydney NSW 2000
Australia

E: economics@westpac.com.au

Luci Ellis
Chief Economist Westpac Group
E: luci.ellis@westpac.com.au

Matthew Hassan
Head of Australian Macro–Forecasting
E: mhassan@westpac.com.au

Elliot Clarke
Head of International Economics
E: eclarke@westpac.com.au

Sian Fenner
Head of Business and Industry Economics
E: sian.fenner@westpac.com.au

Justin Smirk
Senior Economist
E: jsmirk@westpac.com.au

Pat Bustamante
Senior Economist
E: pat.bustamante@westpac.com.au

Mantas Vanagas
Senior Economist
E: mantas.vanagas@westpac.com.au

Ryan Wells
Economist
E: ryan.wells@westpac.com.au

Illiana Jain
Economist
E: illiana.jain@westpac.com.au

Neha Sharma
Economist
E: neha.sharma1@westpac.com.au

Luka Belobrajdic
Economist
E: 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

Kelly Eckhold
Chief Economist NZ
E: kelly.eckhold@westpac.co.nz

Michael Gordon
Senior Economist
E: michael.gordon@westpac.co.nz

Darren Gibbs
Senior Economist
E: darren.gibbs@westpac.co.nz

Satish Ranchhod
Senior Economist
E: satish.ranchhod@westpac.co.nz

Paul Clark
Industry Economist
E: paul.clarke@westpac.co.nz

Westpac Economics / Fiji

Suva
1 Thomson Street
Suva, Fiji

Shamal Chand
Senior Economist
E: shamal.chand@westpac.com.au

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