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MORNING REPORT

Today's economic developments and market movements.

Key themes

Yesterday kicked off on a positive note following news that the US is seeking a one-month ceasefire to negotiate its 15-point plan with Iran.

Headlines steadily became more mixed thereafter, with Iran rejecting the proposal and circulating demands of its own, while strikes continue to be traded in the region and the US moves to deploy ground troops.

Risk sentiment gradually cooled as markets weighed the apparent lack of common ground in these early exchanges. Gains in stocks and bonds and the fall in oil prices were steadily wound back over the course of trading.

Markets remain decisively headline driven, with a square focus on weighing up whether recent news marks a genuine de-escalation attempt, or a pre-cursor to a new kinetic equilibrium.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	65.0	0.0%
AUD/USD	0.6946	-0.7%
AUD/JPY	110.79	-0.2%
AUD/GBP	0.5200	-0.3%
AUD/NZD	1.1967	-0.2%
AUD/EUR	0.6010	-0.3%
AUD/CNH	4.7958	-0.5%
AUD/SGD	0.8900	-0.5%
AUD/HKD	5.4311	-0.8%
AUD/CAD	0.9594	-0.4%
EUR/USD	1.1557	-0.4%
USD/JPY	159.49	0.5%
USD Index	99.65	0.2%

Equities	Close	Change
S&P/ASX 200	8,534	1.8%
S&P 500	6,592	0.5%
Japan Nikkei	53,750	2.9%
Hang Seng	25,336	1.1%
Euro Stoxx 50	5,649	1.2%
UK FTSE100	10,107	1.4%
VIX Index	25.33	-6.0%

Commodities	Current	Change
CRB Index	356.41	-0.8%
Gold	4523.45	1.1%
Copper	12322	1.8%
Oil (WTI futures)	91.19	-1.3%
Coal (coking)	223.00	0.2%
Coal (thermal)	137.55	-1.6%
Iron Ore	105.40	-2.0%
ACCU	36.13	-4.3%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	4.10	0.00
90 day BBSY	4.34	0.01
180 day BBSY	4.78	0.02
1 year swap	4.58	-0.06
2 year swap	4.63	-0.10
3 year swap	4.61	-0.14
4 year swap	4.61	-0.16
5 year swap	4.63	-0.16
6 year swap	4.67	-0.16
7 year swap	4.71	-0.16
8 year swap	4.75	-0.16
9 year swap	4.79	-0.16
10 year swap	5.04	-0.14

Government Bond Yields	Close	Change
Australia		
3 year bond	4.62	-0.11
10 year bond	4.96	-0.09
United States		
3-month T Bill	3.62	0.01
2 year bond	3.89	0.00
10 year bond	4.33	-0.03

Other (10 year yields)		
Germany	2.96	-0.07
Japan	2.26	0.00
UK	4.84	-0.12

Sydney Futures Exchange	Current	Change
10 yr bond	4.97	-0.02
3 yr bond	4.67	0.02
3 mth bill rate	4.18	0.00
SPI 200	8,601	0.3%

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

Yesterday's local session kicked off on a positive note following news that the US is seeking a one-month ceasefire to negotiate with Iran, with a possibility to hold talks as soon as Thursday. Reports detailing the US' 15-point plan was circulated, including demand such as Iran never pursuing the possession of nuclear weapons, dismantling of current capabilities and forfeiting enriched uranium stockpiles, among other things.

Headlines steadily became more mixed thereafter, with Iran rejecting the ceasefire proposal and circulating demands of its own, including a guarantee of the US and Israel suspending attacks, reparations for damages, and recognition of Iran's authority over the Strait of Hormuz. Israel and Iran continued to trade strikes in the meantime as the US moves to deploy ground troops to the region

Risk sentiment gradually cooled as markets weighed the apparent lack of common ground in these early exchanges, gains in stocks and bonds and drop in oil prices were steadily wound back over the course of the session. With markets still decisively headline driven, all eyes and ears are squarely focused on weighing up whether recent news marks a genuine de-escalation attempt, or a pre-cursor to a new kinetic equilibrium.

- Global share markets finished in the green, with the scale of gains closely tracking broader market sentiment on US-Iran headlines over the course of trading. For US equities, this chalked up to a decent lift across the S&P 500 (+0.5%), Dow Jones (+0.7%) and NASDAQ (+0.8%) as traders weighed the common ground in negotiations.
- Asian stocks benefitted from outright positive sentiment on the initial ceasefire headlines yesterday, with gains across Tokyo (+2.9%), Hong Kong (+1.1%), Shanghai (+1.4%) and Seoul (+1.6%). The ASX 200 lifted 1.8% yesterday, led by a rebound in miners following a previous sell-off tied to falling gold prices. Futures markets are pointing to another positive open this morning.
- Treasuries rallied at the margin, with the 2Y falling 1bp to 3.88% while the 10Y fell 4bps to 4.32%. Gains were more prevalent in Europe, where the 10Y Bund and Gilt fell 7bps and 12bps respectively, yields on each continuing to pull back from decade plus highs earlier this week.
- Underscoring this is a slight cooling in rate hike expectations amid hopes for US-Iran diplomacy limiting the inflation fall-out from the conflict. Markets now expect two more rate hikes from the ECB and BoE this year (down from three) while the FOMC is seen on hold.
- ACGBs bull steepened off the back of softer-than-expected inflation data and positive sentiment offshore, seeing 3Y and 10Y yields drop 11bps and 9bps respectively, with the latter

Today's key data and events

Time	Event	Exp	Prev
9:15am	AU RBA's Kent – Speech	–	–
8:00pm	EZ M3 Money Supply Feb y/y	3.2%	3.3%
11:30pm	US Initial Jobless Claims	210k	205k
2:00am	US Kansas City Fed Manufacturing Mar	3pts	5pts

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.

now back under the 5% mark. Futures trading overnight was relatively stable. Swaps markets now see two more RBA rate hikes by September, a downgrade from three earlier this week.

- The USD found a broad-based bid overnight, seeing the DXY lift 0.2% to 99.65 at the time of writing. The main pairs gave up around 0.4-0.5% to the greenback, although the Aussie dollar slid more than others, down –0.7% to around the USD0.6950 mark. This follows a new batch of inflation data that printed slightly below expectations, which added marginally to the slight pull-back in RBA rate hike pricing.
- Crude remains elevated and range-bound since Trump's announcement of a five-day delay – oscillating between gains and losses depending on the tone of headlines coming out of the Middle East. Recently, prices dropped on news of US hopes for a ceasefire, but the move was steadily given back over the course of the session. Brent and WTI both finished –1.3% lower at US\$91.19/bbl and US\$103.11/bbl respectively.
- Moves in the metals complex was once again mixed, with copper bouncing 1.8% higher on more positive risk sentiment, while aluminium shed –0.6% after a solid gain the day prior. Gold bounced higher on the hopes for diplomacy, rising 1.1% to US\$4,523/oz.

International Data

In the US, **import prices** rose 1.3% in February after an upwardly revised 0.6% increase in January, suggesting import costs were already rising prior to the Middle East conflict. This data does not include tariffs, which are another headwind.

In the UK, **February's CPI** was broadly as expected, up 3.0%yr on a headline basis and 3.2%yr on a core basis. With a higher inflation outlook tied to higher energy prices from the Middle East conflict, it appears that inflation will remain above-target for longer than previously anticipated.

Germany's **IFO business climate survey** weakened in March, from 88.4 to 86.4, driven by a souring in expectations while assessments of current conditions were unchanged.

Local Data

In Australia, the **February CPI** came in slightly softer than expected on both a headline and core basis, suggesting inflationary pressures were moderating prior to the Middle East conflict (see [here](#)).



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