30 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 Middle East conflict showed no signs of abating.

There was a sea of red across major global equity markets, with key US indices now recording five consecutive weeks of losses (with the Nasdaq in correction territory). Equities were also sold off across Europe.

The US yield curve steepened over the session, with front end yields easing while longer maturities edged higher, consistent with markets weighing near term growth risks against medium term inflation pressure. A similar dynamic was evident in Europe and domestically. Markets have now priced in a terminal RBA cash rate of 4.85%, suggesting the RBA could hike another three times this year.

The USD strengthened and the AUD softened. Oil surged again as the market priced a higher probability of a 'supply crunch.'

Data snapshot

FX Last 24 hrs	Current	Change
TWI	64.7	-0.5%
AUD/USD	0.6874	-0.2%
AUD/JPY	110.23	0.2%
AUD/GBP	0.5183	0.3%
AUD/NZD	1.1954	0.0%
AUD/EUR	0.5974	0.0%
AUD/CNH	4.7575	-0.2%
AUD/SGD	0.8856	0.1%
AUD/HKD	5.3862	-0.1%
AUD/CAD	0.9545	0.0%
EUR/USD	1.1509	-0.2%
USD/JPY	160.31	0.3%
USD Index	100.15	0.3%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	4.11	0.01
90 day BBSY	4.35	0.01
180 day BBSY	4.83	0.04
1 year swap	4.68	0.02
2 year swap	4.77	0.03
3 year swap	4.77	0.02
4 year swap	4.77	0.04
5 year swap	4.79	0.04
6 year swap	4.83	0.05
7 year swap	4.87	0.05
8 year swap	4.92	0.06
9 year swap	4.96	0.07
10 year swap	5.21	0.05

Equities	Close	Change
S&P/ASX 200	8,516	-0.1%
S&P 500	6,369	-1.7%
Japan Nikkei	53,373	-0.4%
Hang Seng	24,952	0.4%
Euro Stoxx 50	5,506	-1.1%
UK FTSE100	9,967	0.0%
VIX Index	31.05	13.2%

Commodities	Current	Change
CRB Index	368.91	0.0%
Gold	4494.09	2.7%
Copper	12195	0.4%
Oil (WTI futures)	99.64	5.5%
Coal (coking)	223.50	0.0%
Coal (thermal)	143.85	1.3%
Iron Ore	106.10	0.1%
ACCU	36.13	-4.3%

Government Bond Yields	Close	Change
Australia		
3 year bond	4.80	0.08
10 year bond	5.10	0.09
United States		
3-month T Bill	3.60	-0.03
2 year bond	3.91	-0.07
10 year bond	4.43	0.02
Other (10 year yields)		
Germany	3.09	0.02
Japan	2.39	0.11
UK	4.97	0.00

Sydney Futures Exchange	Current	Change
10 yr bond	5.17	0.04
3 yr bond	4.85	0.00
3 mth bill rate	4.18	0.00
SPI 200	8,487	-0.8%

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.

Pat Bustamante
Senior Economist, Westpac Group
P: +61 468 571 786
E: pat.bustamante@westpac.com.au

Financial Markets

- Risk off sentiment persisted on Friday as the Middle East conflict showed no signs of abating. The US President gave Iran a further 10 days to reach a deal, while reports suggested Washington is considering deploying up to 10k additional ground troops to the Middle East. As the conflict drags on, uncertainty has risen, amplifying concerns around global growth and inflation.
- In the US, stocks fell sharply, marking the fifth consecutive weekly loss, with the Nasdaq falling into correction territory. The S&P 500 fell 1.7% to finish the week 2.1% lower. The Dow Jones Industrial Average also declined 1.7% on the day and almost 1.0% over the week, while the Nasdaq dropped 2.2% on Friday to end the week 3.2% in the red. Reflecting the spike in uncertainty, the VIX jumped around 4% to 31pts.
- European equities also fell sharply with key equity indices on track for their first month of losses since June. The Euro Stoxx 50 fell 1.1%, Germany's DAX declined 1.4%, while the UK's FTSE 100 was 0.1% lower on the day. In Asia, moves were more mixed. Japan's Nikkei fell 0.4%, while Hong Kong's Hang Seng rose 0.4%. Locally, the S&P/ASX 200 edged 0.1% lower to 8,516pts, while SPI futures point to a softer open, down 0.8% to 8,487.
- Bond markets sent a slightly more mixed signal. In the US, front-end yields eased while longer maturities edged higher, consistent with a market weighing near-term growth risks against medium-term inflation pressure. The 2-year Treasury yield fell 7bps to 3.91%, while the 10-year yield rose 2bps to 4.43%. OIS pricing suggests a terminal cash rate this year of around 3.7% suggesting the Fed will not move this year. European yields moved higher, led by Germany, where 10 year bond yields increased 2bps to 3.09%.
- Australian government bond yields moved higher on futures, with the 3 year yield up 1bp to 4.85% and the 10 year increasing 4bps to 5.17%. OIS pricing suggests a terminal cash rate this year of around 4.85%, with the first full rate hike pencilled in for June, followed by August and December.
- In FX markets, the US dollar was bid in the risk-off environment. The USD index rose 0.3% to 100.15. The Aussie softened, with AUD/USD down 0.2% to 0.6874 and the TWI down 0.5% to 64.7. Moves across the crosses were mixed: AUD/JPY rose 0.2% to 110.23, while EUR/USD slipped 0.2% to 1.1509 and USD/JPY lifted 0.3% to 160.31.

Today's key data and events

Time	Event	Exp	Prev
19:30	GB Net Mortgage Lending Feb	£3.8b	£4.1b
20:00	EZ Economic Confidence Mar	96.7pts	98.3pts
20:00	EZ Consumer Confidence Mar Final	-	-16.3pts
1:30	US Dallas Fed Manufacturing Activity Mar	1.5pts	0.2pts

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 and highly headline-driven. Oil surged, with WTI up 5.5% to USD 99.64/bbl, as the market priced a higher probability of supply disruption amid the conflict in the Middle East. Gold rallied alongside the risk-off impulse, up 2.7% to US$4,494 an ounce, despite the firmer USD. Base metals were modestly higher on the day, with copper up 0.4%, while iron ore edged up 0.1% to US$106.10 a tonne.

International Data

US University of Michigan consumer sentiment fell to 53.3 in March, according to the final estimate. The March level is 19% below the 5-year average and 37% below the full-history average. Current conditions and expectations were both down materially in the month. Year-ahead inflation expectations lifted, but the 5-10 year view was broadly unchanged.

UK retail sales fell 0.4% in February, though part of the decline was offset by an upward revision to January (from 1.8% to 2.0%). Excluding fuel, the outcomes were similar in the month. Over the year, sales are up 2.5%, or 3.4% excluding fuel.

FOMC member Paulson espoused upside inflation expectation risks: "There's a little bit more of a risk that the transmission of higher fuel prices, higher fertilizer prices, into inflation expectations is faster and maybe a little bit more durable. I'm worried about that." **Barkin** said the Fed's progress on inflation "may be at risk of stalling."

ECB member Schnabel said "We have to be agile, we have to be vigilant, but there is no need to rush into action. We have the time to look at the data and to analyse what is actually happening, whether there's evidence of second-round effects, how strong the demand environment is and how likely it is that this inflation shock is becoming entrenched in inflation expectations and also in wage growth." **Munsch** said "If the conflict is not over by June, then we are most probably way above our baseline, and that would warrant some kind of reaction."

Local Data

There was no top tier data released on Friday. Westpac Economics' inflation and activity forecasts were revised amid the ongoing conflict in the Middle East and published in Friday's weekly (see here).

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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