31 March 2026

MORNING REPORT

Today's economic developments and market movements.

Key themes

Markets opened the week cautiously amid continued Middle East tensions. Conflicting signals from Washington stating renewed threats against Iranian energy infrastructure alongside suggestions of growing willingness to negotiate kept sentiment fragile.

US equities were mixed, European stocks outperformed on falling yields, while Asian and Australian markets bore the brunt of energy-related uncertainty.

Bond markets firmed after Fed Chair Powell reiterated that longer-term inflation expectations in the US remain well anchored, prompting a pull-back in near-term rate-hike pricing and renewed discussion of a possible Fed rate cut later this year.

The USD remained supported in risk-off conditions, while energy markets again dominated the narrative, with WTI surging above US$100/ bbl.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	64.4	-0.5%
AUD/USD	0.6848	-0.4%
AUD/JPY	109.36	-0.8%
AUD/GBP	0.5196	0.2%
AUD/NZD	1.1979	0.2%
AUD/EUR	0.5976	0.0%
AUD/CNH	4.7365	-0.4%
AUD/SGD	0.8844	-0.1%
AUD/HKD	5.3663	-0.4%
AUD/CAD	0.9537	-0.1%
EUR/USD	1.1458	-0.4%
USD/JPY	159.71	-0.4%
USD Index	100.53	0.4%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	4.10	0.00
90 day BBSY	4.37	0.01
180 day BBSY	4.85	0.03
1 year swap	4.63	-0.05
2 year swap	4.69	-0.08
3 year swap	4.67	-0.10
4 year swap	4.68	-0.08
5 year swap	4.71	-0.08
6 year swap	4.75	-0.08
7 year swap	4.79	-0.08
8 year swap	4.84	-0.08
9 year swap	4.88	-0.08
10 year swap	5.12	-0.09

Equities	Close	Change
S&P/ASX 200	8,461	-0.6%
S&P 500	6,344	-0.4%
Japan Nikkei	51,886	-2.8%
Hang Seng	24,751	-0.8%
Euro Stoxx 50	5,542	0.7%
UK FTSE100	10,128	1.6%
VIX Index	30.61	-1.4%

Government Bond Yields	Close	Change
Australia		
3 year bond	4.71	-0.09
10 year bond	5.07	-0.03
United States		
3-month T Bill	3.60	0.00
2 year bond	3.83	-0.08
10 year bond	4.35	-0.08
Other (10 year yields)		
Germany	3.04	-0.06
Japan	2.37	-0.01
UK	4.94	-0.04

Commodities	Current	Change
CRB Index	371.29	0.6%
Gold	4506.76	0.3%
Copper	12224	0.2%
Oil (WTI futures)	104.74	5.1%
Coal (coking)	224.00	0.2%
Coal (thermal)	144.25	0.3%
Iron Ore	106.25	0.2%
ACCU	36.13	-4.3%

Sydney Futures Exchange	Current	Change
10 yr bond	5.06	-0.05
3 yr bond	4.72	-0.03
3 mth bill rate	4.18	0.00
SPI 200	8,500	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.

Luka Belobrajdic
Economist, Westpac Group
P: +61 403 657 603
E: luka.belobrajdic@westpac.com.au

Financial Markets

Markets entered the week cautiously amid renewed threats by President Trump to target Iran's civilian energy infrastructure should the Strait of Hormuz remain closed, and simultaneous comments by Press Secretary Karoline Leavitt suggesting Iran was "increasingly eager" to negotiate and "more reasonable behind the scenes". This conflicting messaging, combined with a lack of talks over the weekend, and new Houthi involvement, left markets mixed but skewed toward a risk off tone.

Offsetting some of the caution, Fed Chair Jerome Powell sought to reassure markets, noting that longer term inflation expectations remain well anchored.

- Equities were mixed across regions. In the US, the NASDAQ and S&P 500 extended recent losses, falling -0.7% and -0.4% respectively, while the Dow Jones Industrial Average proved more resilient, posting a modest gain of 0.1%. The VIX was little changed at around 31, underscoring elevated but stable uncertainty.
- European equities outperformed on the back of falling bond yields, with the Euro Stoxx 50 up 0.7% and the FTSE 100 the standout, rising 1.6%. In contrast, Asian equities were firmly risk off amid heightened energy market uncertainty. Korea's KOSPI led declines, down 3.0%, while Japan's Nikkei 225 fell 2.8%. Locally, similar concerns weighed on sentiment, with the ASX 200 closing 0.6% lower at 8,461.
- Bond markets firmed after Chair Powell's comments. US Treasury yields declined across the curve, with the 2 year yield falling 8bps to 3.83% and the 10 year down 8bps to 4.35. Swaps pricing now suggests a terminal Fed funds rate this year of around 3.60%, with a rate cut once again back on the cards.
- Domestic yields also softened following changes to Australia's fuel excise. The 3 year yield fell 9bps, while the 10 year declined 3bps. Swaps pricing continues to imply around two and a half rate hikes before the end of the year.
- FX markets saw the USD remain supported, with the DXY rising 0.4%. The Australian dollar extended its decline, down 0.4% to 0.6848 and touching post war lows during the session. The GBP and NZD both also reached post war lows, falling -0.6% and -0.5% respectively. The euro proved comparatively more resilient.
- Commodity markets were again dominated by energy. WTI surged 5.1%, pushing comfortably above US$100/bbl, as markets priced an increased risk of supply disruption amid the threat of further escalation. Brent posted more modest gains but remains near recent highs at around US$115/bbl. In metals, aluminium was the standout, rising 0.8%, following reports of Iranian attacks on major aluminium facilities in the UAE and Bahrain. Gold advanced 0.3% to around US$4507/oz, while iron ore traded sideways, posting a modest gain of 0.2%.

Today's key data and events

Time	Event	Exp	Prev
1:30	US Dallas Fed Manufacturing Activity Mar	2pts	0.2pts
10:30	JP Tokyo Mar	1.60%	0.02
10:30	JP Job-to-Applicant Feb	120.00%	1.20
10:50	JP Industrial Production Feb Prel.	-2.00%	0.04
11:00	NZ ANZ Business Confidence Mar	-	59.2pts
11:30	AU RBA Minutes	-	-
11:30	AU Private Sector Credit Feb	0.60%	0.01
12:30	CN Manufacturing PMI Mar	50.1pts	49pts
12:30	CN Non-Manufacturing PMI Mar	49.9pts	49.5pts
17:00	GB GDP Q4 Final	0.10%	0.00
17:00	GB Nationwide House Prices Mar	0.00%	0.00
20:00	EZ HICP Mar Prel.	2.60%	0.02

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.

International Data

The Dallas Fed Manufacturing Activity Survey of Texas business executives reported that general business conditions were little changed in March, with the headline business index ticking only very slightly lower from 0.2 to -0.2.

Fed Chair Jerome Powell suggested that he is carefully monitoring how the energy price shock is impacting inflation expectations. He noted that inflation expectations are "well anchored beyond the short term" and suggested that the Fed may need to adjust US monetary policy, but that is not the case yet.

The European Commission Economic Confidence Survey suggested that economic sentiment in the euro area deteriorated notably in March. The headline Economic Sentiment Index declined by 1.6pts to 96.6, a six-month low.

Local Data

The Australian government will halve the fuel excise and reduce the heavy-vehicle charge to zero for three-months starting April 1. We have changed our view on the RBA cash rate path - we expect three more hikes this year in May, June, and August (see here). We have also updated our assumptions for the Middle East conflict and our baseline outlook forecasts (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

Things you should know

We respect your privacy: You can view the New Zealand Privacy Policy here, or the Australian Group Privacy Statement here. Each time someone visits our site, data is captured so that we can accurately evaluate the quality of our content and make improvements for you. We may at times use technology to capture data about you to help us to better understand you and your needs, including potentially for the purposes of assessing your individual reading habits and interests to allow us to provide suggestions regarding other reading material which may be suitable for you.

Disclaimer

This information has been prepared by Westpac and is intended for information purposes only. It is not intended to reflect any recommendation or financial advice and investment decisions should not be based on it. This information does not constitute an offer, a solicitation of an offer, or an inducement to subscribe for, purchase or sell any financial instrument or to enter into a legally binding contract. To the extent that this information contains any general advice, it has been prepared without taking into account your objectives, financial situation or needs and before acting on it you should consider the appropriateness of the advice. Certain types of transactions, including those involving futures, options and high yield securities give rise to substantial risk and are not suitable for all investors. We recommend that you seek your own independent legal or financial advice before proceeding with any investment decision.

This information may contain material provided by third parties. While such material is published with the necessary permission none of Westpac or its related entities accepts any responsibility for the accuracy or completeness of any such material. Although we have made every effort to ensure this information is free from error, none of Westpac or its related entities warrants the accuracy, adequacy or completeness of this information, or otherwise endorses it in any way. Except where contrary to law, Westpac Group intend by this notice to exclude liability for this information. This information is subject to change without notice and none of Westpac or its related entities is under any obligation to update this information or correct any inaccuracy which may become apparent at a later date. This information may contain or incorporate by reference forward looking statements. The words "believe", "anticipate", "expect", "intend", "plan", "predict", "continue", "assume", "positioned", "may", "will", "should", "shall", "risk" and other similar expressions that are predictions of or indicate future events and future trends identify forward-looking statements. These forward-looking statements include all matters that are not historical facts. Past performance is not a reliable indicator of future performance, nor are forecasts of future performance. Whilst every effort has been taken to ensure that the assumptions on which any forecasts are based are reasonable, the forecasts may be affected by incorrect assumptions or by known or unknown risks and uncertainties. The ultimate outcomes may differ substantially from any forecasts.

Conflicts of Interest: In the normal course of offering banking products and services to its clients, the Westpac Group may act in several capacities (including issuer, market maker, underwriter, distributor, swap counterparty and calculation agent) simultaneously with respect to a financial instrument, giving rise to potential conflicts of interest which may impact the performance of a financial instrument. The Westpac Group may at any time transact or hold a position (including hedging and trading positions) for its own account or the account of a client in any financial instrument which may impact the performance of that financial instrument.

Author(s) disclaimer and declaration: The author(s) confirms that (a) no part of his/her compensation was, is, or will be, directly or indirectly, related to any views or (if applicable) recommendations expressed in this material; (b) this material accurately reflects his/her personal views about the financial products, companies or issuers (if applicable) and is based on sources reasonably believed to be reliable and accurate; (c) to the best of the author's knowledge, they are not in receipt of inside information and this material does not contain inside information; and (d) no other part of the Westpac Group has made any attempt to influence this material.

Further important information regarding sustainability related content: This material may contain statements relating to environmental, social and governance (ESG) topics. These are subject to known and unknown risks, and there are significant uncertainties, limitations, risks and assumptions in the metrics, modelling, data, scenarios, reporting and analysis on which the statements rely. In particular, these areas are rapidly evolving and maturing, and there are variations in approaches and common standards and practice, as well as uncertainty around future related policy and legislation. Some material may include information derived from publicly available sources that have not been independently verified. No representation or warranty is made as to the accuracy, completeness or reliability of the information. There is a risk that the analysis, estimates, judgements, assumptions, views, models, scenarios or projections used may turn out to be incorrect. These risks may cause actual outcomes to differ materially from those expressed or implied. The ESG-related statements in this material do not constitute advice, nor are they guarantees or predictions of future performance, and Westpac gives no representation, warranty or assurance (including as to the quality, accuracy or completeness of the statements). You should seek your own independent advice.

Additional country disclosures:

Australia: Westpac holds an Australian Financial Services Licence (No. 233714). You can access Westpac's Financial Services Guide here or request a copy from your Westpac point of contact. To the extent that this information contains any general advice, it has been prepared without taking into account your objectives, financial situation or needs and before acting on it you should consider the appropriateness of the advice.

New Zealand: In New Zealand, Westpac Institutional Bank refers to the brand under which products and services are provided by either Westpac (NZ division) or Westpac New Zealand Limited (company number 1763882), the New Zealand incorporated subsidiary of Westpac ("WNZL"). Any product or service made available by WNZL does not represent an offer from Westpac or any of its subsidiaries (other than WNZL). Neither Westpac nor its other subsidiaries guarantee or otherwise support the performance of WNZL in respect of any such product. WNZL is not an authorised deposit-taking institution for the purposes of Australian prudential standards. The current disclosure statements for the New Zealand branch of Westpac and WNZL can be obtained at www.westpac.co.nz.

Singapore: This material has been prepared and issued for distribution in Singapore to institutional investors, accredited investors and expert investors (as defined in the applicable Singapore laws and regulations) only. Recipients of this material in Singapore should contact Westpac Singapore Branch in respect of any matters arising from, or in connection with, this material. Westpac Singapore Branch holds a wholesale banking licence and is subject to supervision by the Monetary Authority of Singapore.

Disclaimer continues overleaf ▶

Fiji: Unless otherwise specified, the products and services for Westpac Fiji are available from www.westpac.com.fj © Westpac Banking Corporation ABN 33 007 457 141. This information does not take your personal circumstances into account and before acting on it you should consider the appropriateness of the information for your financial situation. Westpac Banking Corporation ABN 33 007 457 141 is incorporated in NSW Australia and registered as a branch in Fiji. The liability of its members is limited.

Papua New Guinea: Unless otherwise specified, the products and services for Westpac PNG are available from www.westpac.com.pg © Westpac Banking Corporation ABN 33 007 457 141. This information does not take your personal circumstances into account and before acting on it you should consider the appropriateness of the information for your financial situation. Westpac Banking Corporation ABN 33 007 457 141 is incorporated in NSW Australia. Westpac is represented in Papua New Guinea by Westpac Bank - PNG - Limited. The liability of its members is limited.

U.S: Westpac operates in the United States of America as a federally licensed branch, regulated by the Office of the Comptroller of the Currency. Westpac is also registered with the US Commodity Futures Trading Commission ("CFTC") as a Swap Dealer, but is neither registered as, or affiliated with, a Futures Commission Merchant registered with the US CFTC. The services and products referenced above are not insured by the Federal Deposit Insurance Corporation ("FDIC"). Westpac Capital Markets, LLC ('WCM'), a wholly-owned subsidiary of Westpac, is a broker-dealer registered under the U.S. Securities Exchange Act of 1934 ('the Exchange Act') and member of the Financial Industry Regulatory Authority ('FINRA'). In accordance with APRA's Prudential Standard 222 'Association with Related Entities', Westpac does not stand behind WCM other than as provided for in certain legal agreements between Westpac and WCM and obligations of WCM do not represent liabilities of Westpac.

This communication is provided for distribution to U.S. institutional investors in reliance on the exemption from registration provided by Rule 15a-6 under the Exchange Act and is not subject to all of the independence and disclosure standards applicable to debt research reports prepared for retail investors in the United States. WCM is the U.S. distributor of this communication and accepts responsibility for the contents of this communication. Transactions by U.S. customers of any securities referenced herein should be effected through WCM. All disclaimers set out with respect to Westpac apply equally to WCM. If you would like to speak to someone regarding any security mentioned herein, please contact WCM on +1 212 389 1269. Investing in any non-U.S. securities or related financial instruments mentioned in this communication may present certain risks. The securities of non-U.S. issuers may not be registered with, or be subject to the regulations of, the SEC in the United States. Information on such non-U.S. securities or related financial instruments may be limited. Non-U.S. companies may not be subject to audit and reporting standards and regulatory requirements comparable to those in effect in the United States. The value of any investment or income from any securities or related derivative instruments denominated in a currency other than U.S. dollars is subject to exchange rate fluctuations that may have a positive or adverse effect on the value of or income from such securities or related derivative instruments.

The author of this communication is employed by Westpac and is not registered or qualified as a research analyst, representative, or associated person of WCM or any other U.S. broker-dealer under the rules of FINRA, any other U.S. self-regulatory organisation, or the laws, rules or regulations of any State. Unless otherwise specifically stated, the views expressed herein are solely those of the author and may differ from the information, views or analysis expressed by Westpac and/or its affiliates.

UK: The London branch of Westpac is authorised in the United Kingdom by the Prudential Regulation Authority (PRA) and is subject to regulation by the Financial Conduct Authority (FCA) and limited regulation by the PRA (Financial Services Register number: 124586). The London branch of Westpac is registered at Companies House as a branch established in the United Kingdom (Branch No. BR000106). Details about the extent of the regulation of Westpac's London branch by the PRA are available from us on request.

This communication is not being made to or distributed to, and must not be passed on to, the general public in the United Kingdom. Rather, this communication is being made only to and is directed at (a) those persons falling within the definition of Investment Professionals (set out in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order")); (b) those persons falling within the definition of high net worth companies, unincorporated associations etc. (set out in Article 49(2)of the Order; (c) other persons to whom it may lawfully be communicated in accordance with the Order or (d) any persons to whom it may otherwise lawfully be made (all such persons together being referred to as "relevant persons"). Any person who is not a relevant person should not act or rely on this communication or any of its contents. In the same way, the information contained in this communication is intended for "eligible counterparties" and "professional clients" as defined by the rules of the Financial Conduct Authority and is not intended for "retail clients". Westpac expressly prohibits you from passing on the information in this communication to any third party.

European Economic Area ("EEA"): This material may be distributed to you by either: (i) Westpac directly, or (ii) Westpac Europe GmbH ("WEG") under a sub-licensing arrangement. WEG has not edited or otherwise modified the content of this material. WEG is authorised in Germany by the Federal Financial Supervision Authority ('BaFin') and subject to its regulation. WEG's supervisory authorities are BaFin and the German Federal Bank ('Deutsche Bundesbank'). WEG is registered with the commercial register ('Handelsregister') of the local court of Frankfurt am Main under registration number HRB 118483. In accordance with APRA's Prudential Standard 222 'Association with Related Entities', Westpac does not stand behind WEG other than as provided for in certain legal agreements (a risk transfer, sub-participation and collateral agreement) between Westpac and WEG and obligations of WEG do not represent liabilities of Westpac. Any product or service made available by WEG does not represent an offer from Westpac or any of its subsidiaries (other than WEG). All disclaimers set out with respect to Westpac apply equally to WEG.

This communication is not intended for distribution to, or use by any person or entity in any jurisdiction or country where such distribution or use would be contrary to local law or regulation.

This communication contains general commentary, research, and market colour. The communication does not constitute investment advice. The material may contain an 'investment recommendation' and/or 'information recommending or suggesting an investment', both as defined in Regulation (EU) No 596/2014 (including as applicable in the United Kingdom) ("MAR"). In accordance with the relevant provisions of MAR, reasonable care has been taken to ensure that the material has been objectively presented and that interests or conflicts of interest of the sender concerning the financial instruments to which that information relates have been disclosed.

Investment recommendations must be read alongside the specific disclosure which accompanies them and the general disclosure which can be found here. Such disclosure fulfils certain additional information requirements of MAR and associated delegated legislation and by accepting this communication you acknowledge that you are aware of the existence of such additional disclosure and its contents.

To the extent this communication comprises an investment recommendation it is classified as non-independent research. It has not been prepared in accordance with legal requirements designed to promote the independence of investment research and therefore constitutes a marketing communication. Further, this communication is not subject to any prohibition on dealing ahead of the dissemination of investment research.