

Interest Rates			FX			Commodities		
Australia		Δ bp	AUD/USD	0.6997	0.0%	WTI Crude Oil	88.86	-\$1.23
90-day Bill	4.29	1	AUD/JPY	111.06	0.1%	Brent Crude Oil	104.49	\$3.58
3-year Bond	4.63	-7	AUD/EUR	0.6022	-0.2%	Mogas95*	127.37	-\$1.58
10-year Bond	4.98	-6	AUD/GBP	0.5214	0.0%	CRB Index	359.25	8.51
			AUD/NZD	1.1983	0.1%	Gold	4553.94	\$146.65
			AUD/CNY	4.8026	-0.7%	Silver	72.98	\$4.23
US			EUR/USD	1.1618	0.2%	Iron Ore (61% Fe)**	108.10	\$0.55
2-year	3.88	1	USD/JPY	158.72	0.1%	Iron Ore (25-26 Average)	103.20	\$0.03
10-year	4.34	-1	USD/CNY	6.8938	0.1%	Copper	12100.50	-\$66.50
			RBA Policy			Equities		
			O/N Cash Rate Target	4.10		ASX200	8499	69
			Interbank O/N Cash Rate	4.10		Dow Jones	46124	-84
Other 10-year			Probability of a 25bps Hike in May	54.8%		S&P500	6556	-25
Japan	2.25	-4	RBA Bond Holdings (27 Feb)	A\$250.0b		Stoxx600	579	3
Germany	3.03	2				CSI300	4475	57
UK	4.96	4						

*Mogas95 is the Singapore benchmark petrol price closely linked to Australian domestic fuel prices.

**Iron ore is the second SGX futures contract.

Wall Street saw renewed slight declines last night, reflecting confusion about the direction and duration of the conflict in the Middle East. The S&P 500 fell by 0.4% overnight, following mixed results in Europe and gains in most of the Asia-Pacific region.

The ultimatum to re-open the Strait of Hormuz given to Iran by US President Donald Trump will expire this coming weekend, but attacks continue across the Middle East, and the US military is reportedly looking to deploy an elite combat team to the region. Iranian officials have confirmed that they are charging the equivalent of US\$2 million for crossing the Strait of Hormuz, but hardly any vessels are crossing the Strait.

The confusion about the conflict was reflected in oil prices, with Brent futures resuming their climb, while WTI futures fell further. The gold price picked up to just below US\$4,500 an ounce.

Government bond yields were also mixed, with hardly any change in US Treasury yields and increases in German and UK yields, while Japanese government bond yields declined. The markets continue to partially price in fed funds rate hikes, and three Fed officials (Fed Governor Michael Barr, San Francisco Fed President Mary Daly and Chicago Fed President Austan Goolsbee) spoke overnight in favour of holding off on rate cuts until inflation cools.

The Australian dollar is little changed against the major currencies since yesterday morning, while Commonwealth bond yields fell further. Cash rate hike expectations eased further, but two more hikes are still fully priced in for this year. The ASX 200 rose by only 0.4% yesterday, as the initial solid gains were diminished during the session, but it opened higher again this morning.

Data-wise, the impacts of the Middle East conflict were reflected in a 0.5pts decline in the US S&P Global composite PMI to 51.4 in March (above 50 = expansion). The slower pace of expansion was recorded only in services (-0.6pts to 51.7), while a rise in output and new orders amid lower tariff concerns pushed manufacturing further into expansion (+0.8pts to 52.4).

The details of the US PMI report pointed to disruptions in supply chains due to the Middle East conflict, with supply delays being the longest since October 2022. The rise in energy prices translated into a rise in prices paid, which were pushed onto customers, leading to the highest selling price inflation in 3.5 years, with a relatively large gain in services. The uncertainty about future conditions translated into the first decline in employment in over a year.

Similar patterns in PMIs were observed in Europe, with slower pace of expansion driven by services in the euro area and the UK, though in Japan the slowdown was driven by manufacturing.

Economic Data Review

- **JP:** S&P Global Composite PMI (Mar, flash) – Actual 52.5, Previous 53.9.
- **EZ:** S&P Global Composite PMI (Mar, flash) – Actual 50.5, Expected 51.0, Previous 51.9.
- **UK:** S&P Global Composite PMI (Mar, flash) – Actual 51.0, Expected 52.8, Previous 53.7.
- **US:** S&P Global Composite PMI (Mar, flash) – Actual 51.4, Previous 51.9.

Economic Data Preview

- **AU:** CPI (YoY, Feb) – Expected 3.8%, Previous 3.8%.
- **UK:** CPI (MoM, Feb) – Expected 0.4%, Previous -0.5%.