

Interest Rates			FX			Commodities US\$		
Australia			AUD/USD	0.6697	0.4%	WTI Crude Oil	70.07	\$0.66
90-day Bill	3.70	1	AUD/JPY	87.81	-0.6%	Brent Crude Oil	76.69	\$1.59
3-year Bond	2.88	-3	AUD/EUR	0.6159	-0.6%	Mogas95*	95.52	\$1.03
10-year Bond	3.27	-5	AUD/GBP	0.5453	-0.1%	CRB Index	258.65	0.97
			AUD/NZD	1.0751	-0.3%	Gold	1970.69	\$27.70
			AUD/CNY	4.6077	0.4%	Silver	23.00	\$0.55
US			EUR/USD	1.0870	0.9%	Iron Ore (62% Fe)**	120.27	-\$3.22
2-year Bond	3.96	-18	USD/JPY	131.17	-1.0%	Iron Ore (22-23 Average)	108.02	\$0.07
10-year Bond	3.45	-14	USD/CNY	6.8802	0.0%	Copper	8888.50	\$131.00
			RBA Policy			Equities		
			O/N Cash Rate Target (%)	3.60		ASX200	6951	-73
			Interbank O/N Cash Rate (%)	3.57		Dow Jones	32030	-530
			Probability of a 25bps Hike in Apr	0.0%		S&P500	3937	-66
			RBA Bond Holdings (28 Feb)	A\$350.5b		Stoxx600	447	1
						CSI300	3999	17
Other 10-year								
Japan	0.31	2						
Germany	2.33	4						
UK	3.46	10						

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

**Iron ore is the second SGX futures contract.

US equities were steady through most of the overnight session before slumping in the afternoon, led by big falls in bank shares, particularly regionals. The drop appears to have been driven by comments from Treasury Secretary Janet Yellen that threw doubt on expectations that all deposits would be guaranteed in the event of a bank run, rather than the Fed interest rate decision. Treasury yields also tumbled, reversing all the previous day's gains and more. The US dollar slipped as the Fed signalled the rate hiking cycle is near an end.

The US equity market appeared spooked by comments Treasury Secretary Janet Yellen gave to a senate committee that guaranteeing all deposits was not something that had been looked at. This contradicted remarks from Jerome Powell at his press conference that all depositors should consider their deposits safe. The guaranteeing of all deposits helped calm markets after the SVB and Signature Bank failures earlier this month.

The US Federal Reserve's monetary policy setting committee, the FOMC, raised the fed funds rate target range by 25bps to 4.75-5.0%. This was the most likely outcome and expected by most in the financial markets. The FOMC statement made the point that US economic activity has been modest, but that jobs growth has picked up and inflation remains elevated. The line that inflation has eased was dropped. They addressed the recent turmoil in the financial markets by saying the US banking system is sound but that recent developments will likely lead to tighter credit conditions and weigh on economic activity and inflation. They will closely monitor the situation in financial markets but reinforced that they remain "highly attentive to inflation risks" and that the Committee anticipates additional policy firming may be required to return inflation to the 2% target.

The Fed's quarterly economic projections were little changed from December, though the median forecast for inflation for 2023 was revised higher. The projected end-of-year fed funds rate was unchanged at 5.1%, although, the end-of-2024 expectation was nudged up to 4.3% from 4.1%. The futures market is pricing that this was the last of the Fed rate hikes and that there will be rate cuts in the second half of the year.

UK CPI inflation was hotter than expected in February, pushing UK gilt yields sharply higher. The BoE is expected to raise the bank rate 25ps to 4.25% tonight.

Domestically, Aussie equities made strong gains yesterday but have fallen back this morning. Bond yields have opened lower this morning and the Aussie dollar has slipped against all the majors except for the weaker greenback. Iron ore slipped for the third day in a row as falling steel prices raised concerns over the demand outlook.

ECONOMIC DATA REVIEW

- **UK:** CPI (MoM, Feb) – Actual 1.1%, Expected 0.6%, Previous -0.6%.
- **US:** FOMC Decision (IoER) – Actual 4.90%, Expected 4.90%, Previous 4.65%.

ECONOMIC DATA PREVIEW

- **UK:** Bank of England Decision (Bank Rate) – Expected 4.25%, Previous 4.00%.
- **US:** Initial Jobless Claims (w/e 19 Mar) – Expected 198k, Previous 192k.

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