

Interest Rates			FX			Commodities US\$		
Australia		Δ bp	AUD/USD	0.6653	0.3%	WTI Crude Oil	74.47	-\$2.66
90-day Bill	3.64	0	AUD/JPY	88.65	-0.7%	Brent Crude Oil	80.48	-\$2.71
3-year Bond	2.98	-20	AUD/EUR	0.6207	0.0%	Mogas95*	101.92	\$1.35
10-year Bond	3.36	-16	AUD/GBP	0.5472	-0.3%	CRB Index	264.67	-0.32
			AUD/NZD	1.0703	-0.6%	Gold	1911.15	\$31.45
			AUD/CNY	4.5543	-0.6%	Silver	21.78	\$1.07
US			EUR/USD	1.0717	0.3%	Iron Ore (62% Fe)**	131.52	\$2.75
2-year Bond	4.06	-45	USD/JPY	133.26	-1.0%	Iron Ore (22-23 Average)	107.26	\$0.13
10-year Bond	3.56	-17	USD/CNY	6.8455	-0.8%	Copper	8931.00	\$64.00
			RBA Policy			Equities		
			O/N Cash Rate Target (%)	3.60		ASX200	6968	-124
			Interbank O/N Cash Rate (%)	3.57		Dow Jones	31819	-91
Other 10-year			Probability of a 25bps Cut in Apr	55.4%		S&P500	3856	-6
Japan	0.18	-19	RBA Bond Holdings (28 Feb)	A\$350.5b		Stoxx600	443	-11
Germany	2.29	-21				CS300	4009	42
UK	3.39	-24						

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

**Iron ore is the second SGX futures contract.

Despite the measures taken by the US authorities to limit the risks from the collapse of the [Silicon Valley Bank](#) and Signature Bank, risk aversion continued to grow on Monday. US Treasury yields dropped again amid the reassessment of the Fed monetary policy outlook, with two-year yields seeing the largest three-day decline since Black Monday in 1987. The US dollar weakened further.

The major US stock indices were mixed overnight, with the Nasdaq managing to rise by 0.7%, but stocks of regional and some other banks plummeted, taking the financials subindex 4.4% lower. The most stunning declines were by First Republic Bank (-61.8%), Western Alliance Bancorp (-47.1%) and PacWest Bancorp (-21.1%). There were also significant declines in energy, basic minerals, and industrials, but other sectors gained.

Speaking this morning, US President Joe Biden pledged to do “whatever needed” to secure the US banking system. Fed funds rate expectations continue to decline sharply, with a 25bps hike still priced in for the FOMC meeting on 21-22 March, followed by three 25bps cuts later this year. There was also a reassessment of the monetary policy outlook for the ECB and Bank of England, but hikes are still expected for the next meetings, 50- and 25bps respectively.

In commodity markets, the concerns over the impacts of troubles in the US banking sector sent oil prices around 3% lower. Iron ore futures rose by 2.1% on the improving profitability of Chinese steel mills and the demand outlook.

In Australia, the Westpac Melbourne Institute consumer sentiment index was unchanged at a depressed 78.5 in March. There was a further decline in the expectations about the family finances (-1.8%), with a particularly sharp drop among renters. The ‘time to buy a dwelling’ index dropped by 11.1% in the month, while the house price expectations index saw a surprising 8.6% increase. The unemployment expectations index rose by 2.9%, signalling deteriorating perception of labour market conditions.

The alternative measure of consumer sentiment, the weekly ANZ Roy Morgan consumer confidence index, plunged by 2.9% last week, to be the weakest since April 2020. Inflation expectations bounced 0.5ppts to 5.7%.

In local markets, the ASX 200 lost just 0.5% yesterday, as declines in most sectors were partly offset by gains in materials and energy, but dropped 2% at the open this morning. Commonwealth bond yields declined less than their US equivalents, yet RBA cash rate hike expectations were completely wiped out, with a rate cut now priced in for later this year. The Australian dollar appreciated against the stronger greenback and euro, but it is down versus the Japanese yen and British pound.

ECONOMIC DATA REVIEW

- **AU:** Westpac Consumer Sentiment (MoM, Mar) – Actual 0.0%, Previous -6.9%.

ECONOMIC DATA PREVIEW

- **AU:** NAB Business Conditions (Feb) – Previous 18.
- **AU:** NAB Business Confidence (Feb) – Previous 6.
- **UK:** Unemployment Rate (Jan) – Expected 3.8%, Previous 3.7%.
- **US:** CPI (MoM, Feb) – Expected 0.4%, Previous 0.5%.

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