

Interest Rates			FX			Commodities US\$		
Australia		Δ bp	AUD/USD	0.6659	0.1%	WTI Crude Oil	72.96	\$3.17
90-day Bill	3.70	0	AUD/JPY	87.35	0.4%	Brent Crude Oil	78.12	\$2.56
3-year Bond	2.88	9	AUD/EUR	0.6161	-0.2%	Mogas95*	98.72	-\$0.30
10-year Bond	3.29	9	AUD/GBP	0.5414	-0.3%	CRB Index	262.33	3.84
			AUD/NZD	1.0735	0.2%	Gold	1957.97	-\$17.72
			AUD/CNY	4.5837	0.4%	Silver	23.12	-\$0.06
US			EUR/USD	1.0805	0.3%	Iron Ore (62% Fe)**	120.54	\$0.86
2-year Bond	3.96	15	USD/JPY	131.22	0.3%	Iron Ore (22-23 Average)	108.20	\$0.07
10-year Bond	3.53	13	USD/CNY	6.8834	0.2%	Copper	8964.00	\$42.50
			RBA Policy			Equities		
			O/N Cash Rate Target (%)	3.60		ASX200	7040	62
			Interbank O/N Cash Rate (%)	3.57		Dow Jones	32432	195
Other 10-year			Probability of a 25bps Hike in Apr	13.8%		S&P500	3978	7
Japan	0.34	5	RBA Bond Holdings (28 Feb)	A\$350.5b		Stoxx600	445	5
Germany	2.23	10				CSI300	4012	-15
UK	3.38	9						

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

**Iron ore is the second SGX futures contract.

Global stocks rose further overnight, supported by the news of the takeover of Silicon Valley Bank deposits and loans, and an easing of concerns about Deutsche Bank. Receding risk aversion resulted in a surge in government bond yields, while fed funds rate expectations rose again. The Australian dollar is up versus the greenback and Japanese yen, but depreciated against the stronger British pound and euro.

US regional lender First Citizens BancShares took over the deposits and loans of the failed Silicon Valley Bank overnight, which helped support confidence in the US regional banking sector. The KBW regional banking index ticked up by 0.6%, the S&P Banks subindex rose by 3.1%, while the S&P Financials saw a 2.0% gain.

Speaking overnight, Fed Governor Philip Jefferson warned that troubles in the US regional banking sector could spill over to US small businesses and warned that we are yet to see how the situation “plays out”. He added that the situation in the US regional banking sector has complicated the debate about the monetary policy outlook. Minneapolis Fed Chair Neel Kashkari echoed these comments, judging that the woes of US regional banks will contribute to recession risks, though he also stressed that the US banking sector is fundamentally sound.

Fed funds rate expectations moved higher overnight, with the traders now split 50-50 between no change and a 25bps hike to 5.00-5.25% at the next FOMC meeting in early May. However, fed funds futures continue to price in over 50bps of cumulative cuts by the end of the year.

The receding risk aversion was reflected in a 3.5-4.5% surge in oil prices. Iron ore futures rose 0.7% yesterday.

In Australia, the ANZ Roy Morgan consumer confidence index ticked up by 0.1% last week, as inflation expectations dropped back to 5.4%.

In the local markets, the ASX 200 rose by just 0.1% yesterday, with energy stocks dragging on the result after the safeguard mechanism was passed by the Australian Parliament. However, the Aussie stocks followed the strong lead from Wall Street this morning, opening 1.0% higher.

Commonwealth bond yields rose less than their US equivalents as traders price in only a small chance of another interest rate hike from the RBA this year. Today will see the Aussie retail trade report for February, which the RBA has cited as one of the key releases that it will track closely in making its interest rate decision next week. A slight 0.1% increase is expected, but any upside surprise could result in RBA cash rate expectations moving higher, especially if followed by the higher-than-expected monthly CPI indicator for February tomorrow.

ECONOMIC DATA REVIEW

- **AU:** ANZ Roy Morgan Consumer Confidence (w/e 25 Mar) – Actual 0.1%, Previous -0.5%.

ECONOMIC DATA PREVIEW

- **AU:** Retail Trade (MoM, Feb) – Expected 0.3%, Previous 1.9%.
- **US:** Case-Shiller House Price Index 20 Cities (YoY, Jan) – Expected 4.5%, Previous 4.6%.

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