

The Australian dollar outperformed most of the G10 currencies in early March but lost ground in the second half of the month. The decline saw the Aussie close the month as one of the weaker members of the basket, ahead of only the Swiss franc, New Zealand dollar and Swedish krona.

The trade-weighted index, which values the AUD against a basket of currencies based on their share of trade with Australia, peaked at its highest level since September 2017 on 11 March but subsequently gave up all its gains to close the month at a seven-week low.

The strong increase in the Australian dollar early in the month lifted the AUD/USD to a three-year high of US\$0.7152 amid rising expectations for an RBA cash rate increase in March following hawkish comments from the RBA.

The AUD/USD slipped over the second half of March as it became increasingly likely the war in the Middle East would damage global economic growth. The deteriorating situation pushed measures of financial market volatility to the highest levels since US President Trump unveiled his 'liberation day' tariffs in April 2025.

The slide saw the AUD/USD fall to its lowest level in over nine weeks on 30 March, before a modest recovery at month-end.

Model Expected Value	Present Rate	Expected Value Band
0.6650	0.6900	0.6875 – 0.6425

The Australian dollar traded between US\$0.6853 and US\$0.7152 on a close-of-day basis in March and averaged US\$0.7018 over the month before closing at US\$0.6900. The AUD/USD has averaged US\$0.6684 over the first nine months of 2025-26, after averaging US\$0.6479 in 2024-25.






Rising expectations for RBA cash rate increases pushed the Australia-US two-year bond yield spread wider. The spread began February at 81bps and widened to a near 10-year high of 97bps before easing to close at 87bps. The spread averaged 82bps during the month.

The RBA raised the cash rate to 4.10% at the Monetary Policy Board meeting in March, its second 25bps cash rate increase in a row. The decision was driven by concerns over the pickup in inflation, excess demand and the tight labour market. Members also assessed that the near-term impact of the rise in energy prices, due to the events in the Middle East, would add to inflation pressures by further exacerbating capacity pressures.

All the Monetary Policy Board members agreed that further tightening would be required to bring inflation back to target in a reasonable timeframe. However, some preferred to wait for more information due to the increased uncertainty over the outlook for the economy. The decision to raise the cash rate immediately was carried five votes to four.

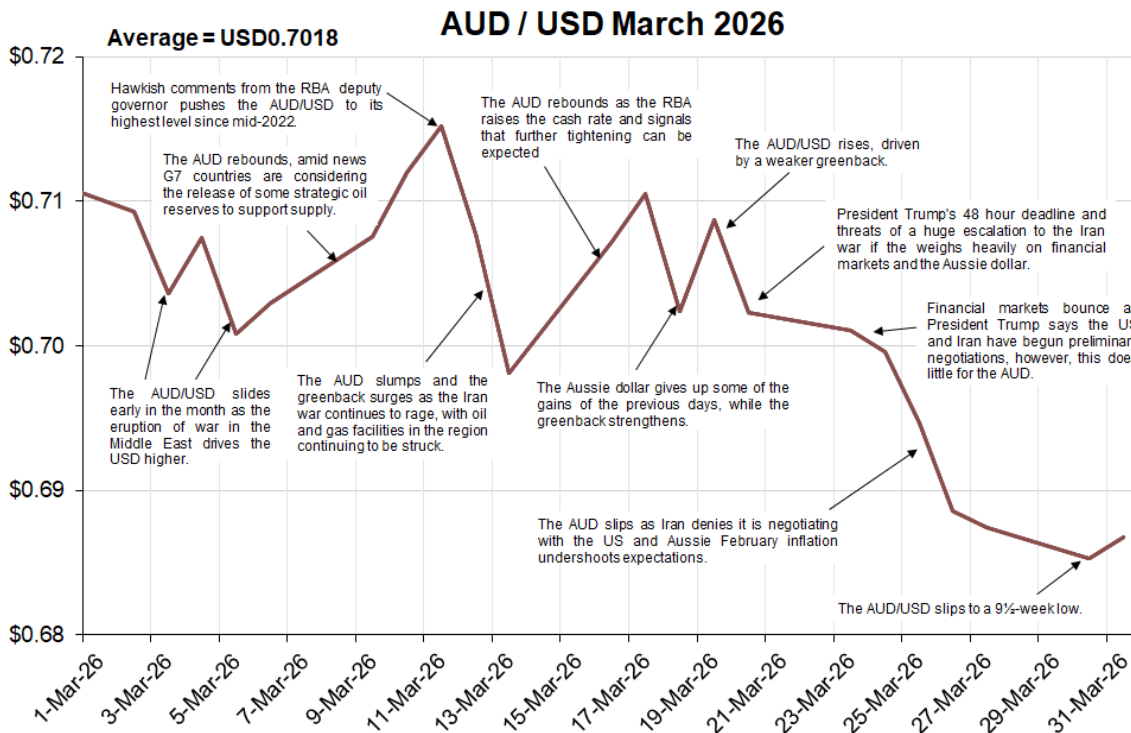
Financial markets are currently pricing in a 64% chance of a 25bps increase to 4.35% in May, and a 4.65% cash rate by the end of the year.

In the US, the FOMC kept the fed funds rate target range unchanged at 3.50-3.75% at its meeting in March. The Middle East conflict and higher energy prices have seen traders unwind most of the earlier pricing for Fed interest rate reductions this year, with minimal cuts now priced in.

	Current	Monthly High	Monthly Low	Monthly	52wk High	52wk Low
AUD/USD 	0.6900	0.7152	0.6853	-3.0%	0.7152	0.5960
AUD/EUR 	0.5972	0.6184	0.5972	-0.9%	0.6184	0.5437
AUD/GBP 	0.5217	0.5333	0.5166	-1.1%	0.5333	0.4667
AUD/JPY 	109.52	113.68	109.44	-1.2%	113.68	87.15
AUD/CNY 	4.7365	4.9146	4.7365	-2.9%	4.9311	4.3725

The eruption of the Iran war drove sharp increases in oil and gas prices during March as the destruction of energy production facilities and the closure of the Strait of Hormuz threaten to severely curtail supply. Fears of shortages saw the Singapore gasoil price (the primary benchmark for diesel in the Asia-Pacific) more than double in Australian dollar terms to hit record highs. Brent crude oil and global gas prices also saw outsized increases. Aluminium prices were also pushed higher by the conflict, with Gulf countries among the major producers.

Commodity AUD	31-Mar-26	MoM (%)	YoY (%)
CRB Index	540.9	23.1%	9.1%
RBA Commodity Price Index	105.2	2.1%	3.8%
Brent Crude	\$171.90	68.8%	74.2%
Singapore Gasoil 10 ppm	\$280.39	114.3%	99.9%
Gold	\$4,668.06	-11.6%	49.4%
Singapore Iron Ore Futures (61% Fe)	\$154.81	11.2%	-4.3%
Nickel	\$24,851.13	-0.9%	-2.6%
Copper	\$17,916.49	-4.5%	15.2%
Aluminium	\$5,035.58	14.1%	24.1%



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