

Interest Rates			FX		Commodities US\$			
<b>Australia</b>		<b>Δ bp</b>	AUD/USD	0.6671	-0.6%	WTI Crude Oil	69.41	\$1.97
90-day Bill	3.69	2	AUD/JPY	88.30	0.2%	Brent Crude Oil	75.10	\$1.31
3-year Bond	2.91	12	AUD/EUR	0.6194	-1.1%	Mogas95*	94.49	\$1.22
10-year Bond	3.33	6	AUD/GBP	0.5458	-0.2%	CRB Index	257.68	2.51
			AUD/NZD	1.0781	0.2%	Gold	1942.99	-\$33.52
			AUD/CNY	4.5916	-0.5%	Silver	22.44	-\$0.07
<b>US</b>			EUR/USD	1.0769	0.5%	Iron Ore (62% Fe)**	123.49	-\$2.01
2-year Bond	4.14	16	USD/JPY	132.43	0.8%	Iron Ore (22-23 Average)	107.95	\$0.08
10-year Bond	3.60	10	USD/CNY	6.8830	0.1%	Copper	8757.50	\$60.00
			RBA Policy		Equities			
			O/N Cash Rate Target (%)	3.60		ASX200	7024	61
			Interbank O/N Cash Rate (%)	3.57		Dow Jones	32561	316
<b>Other 10-year</b>			Probability of a 25bps Hike in Apr	0.0%		S&P500	4003	51
Japan	0.29	6	RBA Bond Holdings (28 Feb)	A\$350.5b		Stoxx600	446	6
Germany	2.28	17				CSI300	3982	43
UK	3.36	6						

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

\*\*Iron ore is the second SGX futures contract.

Global stocks saw further increases overnight, as concerns over the condition of the global banking sector continued to ease. US Treasury yields surged across the yield curve, as investors are more convinced about a 25bps fed funds rate hike at the FOMC meeting tonight and pricing for rate cuts for later this year have been pared back. The Aussie dollar depreciated against all the major currencies but the weaker Japanese yen.

US Treasury Secretary Janet Yellen said that the US banking system is sound and the situation is stabilising, but pledged to guarantee more deposits if other banks face runs to prevent the spread of contagion. US banks, including the First Republic Bank, saw strong gains in share prices in reaction.

The markets remain focused on the FOMC decision tonight (morning AWST), with fed funds futures now showing an 75% probability of 25bps hike to 4.75-5.00%, which would be a terminal fed funds target for this tightening cycle. Following a rise in expectations last night, investors now anticipate the first fed funds rate cut to occur in December.

US existing home sales jumped 14.5% in February following 12 months of declines that saw sales fall to a 12-year low in January.

In commodity markets, the reduction in global risk aversion led to a 1.7% drop in the gold price. Oil prices bounced from 15-month lows but remain depressed. Iron ore futures fell by another 1.6%, driven by reports Chinese authorities are considering cuts to steel output this year. The National Development and Reform Commission indicated earlier this week that it will take [measures](#) to combat high iron ore prices.

In Australia, RBA minutes confirmed that the Board considered a pause in interest rate increases at the March meeting to re-assess the impact of tightening already in place. The Bank cited uncertainties about the economic outlook, the lags in monetary policy transmission and that monetary policy settings are already in restrictive territory. The minutes confirmed that the RBA will follow particularly closely data on the labour market, inflation, retail trade and the business surveys.

Since the RBA minutes did not contain any revelations, it did not have much impact on the market. Traders still see no chance of a cash rate hike at the April meeting. Commonwealth bond yields rose less than their US equivalents, while the ASX 200 rose by 0.8% yesterday and is 0.9% higher this morning.

#### ECONOMIC DATA REVIEW

- **US:** Existing Home Sales (MoM, Feb) – Actual 14.5%, Expected 5.0%, Previous 0.7%.

#### ECONOMIC DATA PREVIEW

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

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