

Highlights this week

- At home, the RBA increased the cash rate target to 4.10%, as expected, and at least another hike is fully priced in by the markets in the coming months. Employment growth in February exceeded the market consensus, while the unemployment rate saw an unexpected increase.
- Abroad, the Strait of Hormuz remained effectively closed to most vessels, keeping oil prices high. Except of the RBA, all G10 central banks holding their monetary policy meetings this week kept their policy rates steady. US industrial production growth slowed in February, while annual PPI inflation picked up a little. The Chinese economic activity data for the first two months surprised to the upside.

Highlights next week

- The key domestic release next week will be the February CPI report on Wednesday, which predates the escalation of the Middle Eastern conflict. There are also the S&P Global PMIs for March on Tuesday, and RBA Assistant Governor Christopher Kent is due to speak on Thursday.
- While events in the Middle East will likely be followed closely by the market, it will be a quiet week data-wise, with the S&P PMI reports for the major advanced economies being the only releases of note.

Central Bank Rates (%)	Weekly Change	Australian Interest Rates (%)	Weekly Change	Major Overseas Interest Rates (%)	Weekly Change	Global Equities	Weekly Change				
Australia	4.10	(↑25 pt)	O/N Interbank Cash	4.10	(↑25 pt)	USD 3-month	3.61	(↑2 pt)	ASX200	8482	(↓151 pt)
US (IOR)	3.65	(0 pt)	90-day Bills	4.29	(↑11 pt)	2-yr T-Notes	3.79	(↑6 pt)	S&P500	6606	(↓66 pt)
Eurozone (Deposit)	2.00	(0 pt)	3-yr T-Bond	4.71	(↑16 pt)	10-yr T-Notes	4.25	(↓1 pt)	DJIA	46021	(↓656 pt)
UK	3.75	(0 pt)	10-yr T-Bond	5.00	(↑6 pt)	Jap 10-yr	2.28	(↑6 pt)	Nikkei	53373	(↓390 pt)
Japan (Target)	0.75	(0 pt)	3-yr WATC Bond	4.87	(↑16 pt)	UK 10-yr	4.84	(↑7 pt)	CSI300	4619	(↓68 pt)
China (1Y LPR)	3.00	(0 pt)	10-yr WATC Bond	5.47	(↑4 pt)	Ger 10-yr	2.96	(0 pt)	Stoxx600	584	(↓15 pt)

Financial Markets

Interest Rates

At its meeting this week, the [RBA Monetary Policy Board](#) decided to increase the cash rate target by 25 basis points to 4.10%, as expected. However, the vote was split, with five members voting for a rate hike and four voting against, which came as a surprise to some market participants.

The RBA did not provide any specific guidance regarding further rate decisions, but language on the determination to bring inflation down to the 2-3% range appears to have strengthened, suggesting further hikes. The markets are pricing in a May rate hike with 70% probability, and another one for later in the year.

The Fed's FOMC, which also met this week, left the fed funds rate target range unchanged at 3.50-3.75%, and revised its 2026 inflation forecasts upwards. Expectations for a fed funds rate cut have evaporated from the market.

Apart from the Fed, six other G10 central banks held their monetary policy decision meetings this week, keeping their policy rates steady and warning about the upside risks to inflation.

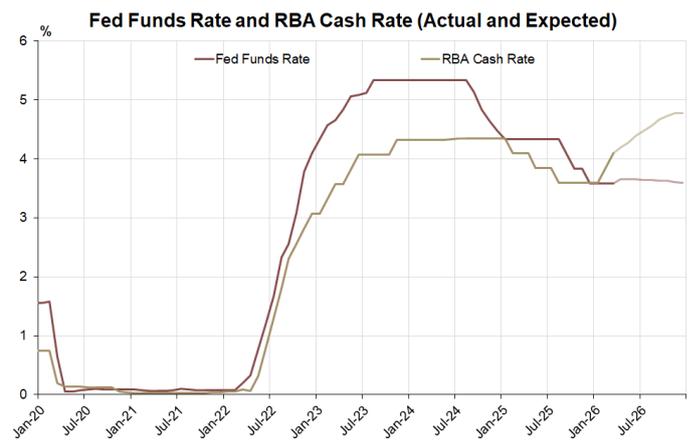
Mounting inflation concerns and policy rate expectations translated into a further rise in government bond yields across the major advanced economies, with a notable exception of the US. Australian Commonwealth bond yields saw a particularly steep increase and remained the highest since 2011.

Equities

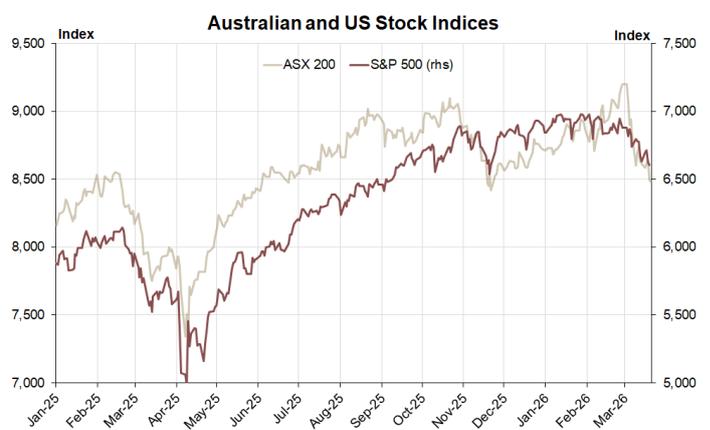
Global stock markets continued to fall this week, but the scale of declines was quite limited given the potential disruptions from the Middle Eastern crisis.

In the US, the S&P 500 lost 1.0%, as losses for most of the week were partly offset by gains on Monday and Tuesday when investors were hopeful for at least a partial resolution of the crisis.

The Aussie ASX 200 is down by 1.7% for the week at the time of writing, to be the lowest since November. However, gains and losses were almost equally split between the sectors. Energy saw the strongest gains, while materials recorded the largest losses.



Source: Bloomberg



Source: Bloomberg

Currencies

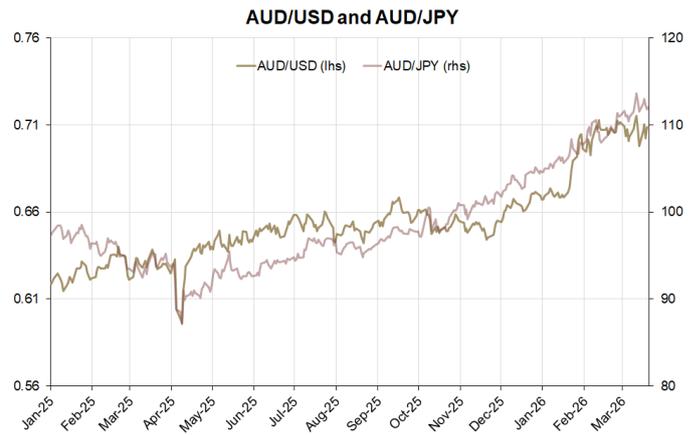
The Australian dollar has had a mixed week, appreciating versus the stronger greenback and depreciating against the other major currencies.

The AUD remains quite resilient in the current Middle Eastern crisis, supported by a rise in the cash rate and rate expectations, as well as a rise in fossil fuel commodities.

However, the Aussie currency is not quite immune to the disruptions, as evidenced by a sharp depreciation on Wednesday night when the attacks on energy facilities in the Middle East intensified.

Despite some resilience, the AUD was the third weakest G10 currency this week, while the oil-dependent Norwegian krone was sitting at the top of the currency ladder.

The Chinese yuan kept steady against the greenback this week.



Source: Bloomberg

Spot Rates		Current	High	Low	Change (%)	52-Week High	52-Week Low
AUD/USD		0.7086	0.7123	0.6982	↑0.2	0.7187	0.5915
AUD/EUR		0.6127	0.6172	0.6093	↓0.3	0.6199	0.4620
AUD/GBP		0.5282	0.5332	0.5262	↓0.3	0.5349	0.4620
AUD/JPY		112.05	113.22	111.17	↓0.5	113.96	86.05
AUD/CNY		4.8796	4.8999	4.8288	↑0.2	4.9373	4.3523
EUR/USD		1.1566	1.1616	1.1411	↑0.5	1.2081	1.0733
GBP/USD		1.3416	1.3467	1.3225	↑0.5	1.3868	1.2709
USD/JPY		158.12	159.90	157.51	↓0.8	159.90	139.89
USD/CNY		6.8857	6.9049	6.8713	↑0	7.3511	6.8316

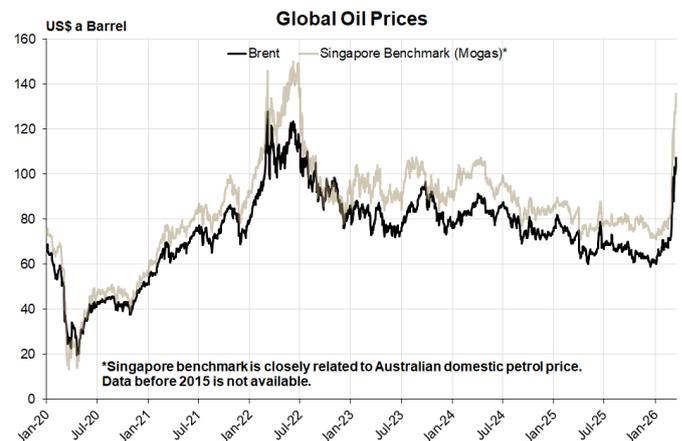
Forward Rates		Spot	3M	6M	12M
AUD/USD		0.7086	0.7077	0.7062	0.7022
AUD/EUR		0.6127	0.6092	0.6058	0.5987
AUD/GBP		0.5282	0.5276	0.5272	0.5261
AUD/JPY		112.05	111.03	109.96	107.80
AUD/NZD		1.2043	1.1987	1.1930	1.1823
AUD/SGD		0.9058	0.8988	0.8912	0.8757

Commodities

Brent climbed further this week, temporarily approaching US\$100 a barrel after the attack on a part of the world's largest gas deposit situated in Iran, the South Pars field, was followed by retaliatory attacks on energy facilities across the Middle East.

The gains in oil prices were trimmed on Thursday night, when US President Donald Trump again said that he is not planning a ground invasion of Iran, while Israeli Prime Minister Benjamin Netanyahu pledged not to carry out more attacks on energy facilities. WTI futures are slightly down for the week at the time of writing.

Despite the geopolitical risks remaining high, the gold price declined this week as fed funds rate cut expectations evaporated. Iron ore futures were broadly steady above US\$100 a tonne this week.



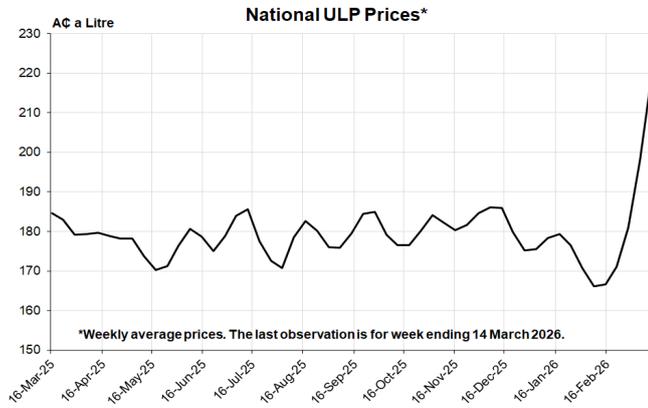
Source: Bloomberg

	Current	High	Low	Change	52-Week High	52-Week Low
Gold (US\$)	\$4,682.08	\$5,044.56	\$4,502.80	(↓\$433.54)	\$5,595.47	\$2,956.71
Brent Crude Oil (US\$)	\$105.27	\$119.13	\$99.54	(↑\$4.99)	\$119.50	\$58.40
Mogas95* (US\$)	\$136.05	\$147.08	\$116.97	(↑\$10.96)	\$147.08	\$67.57
WTI Oil (US\$)	\$94.00	\$102.44	\$91.96	(↓\$1.27)	\$119.48	\$54.98
CRB Index	364.20	365.79	359.72	(↓0.83)	365.79	279.79
Iron Ore Price 62% Fe (US\$) **	\$108.05	\$109.00	\$103.35	(↓\$0.5)	\$109.40	\$91.70

*Mogas95 is the Singapore benchmark petrol price closely linked to Australian domestic fuel prices.
 ** The Iron Ore Price is the SGX 61% Fe iron ore futures 2nd contract.

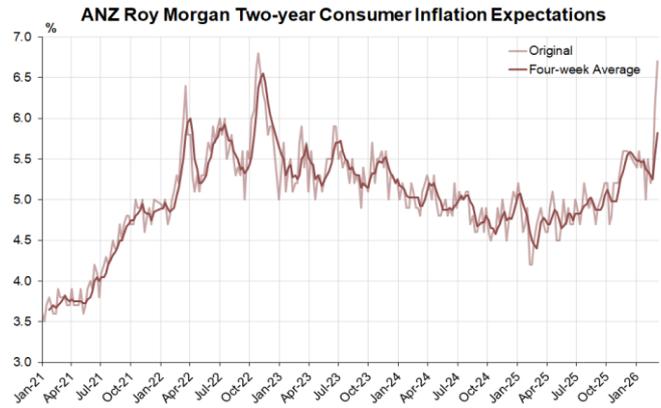
Domestic Economy

Concerns over the impacts of the conflict in the Middle East continue to drive **domestic petrol prices** higher...



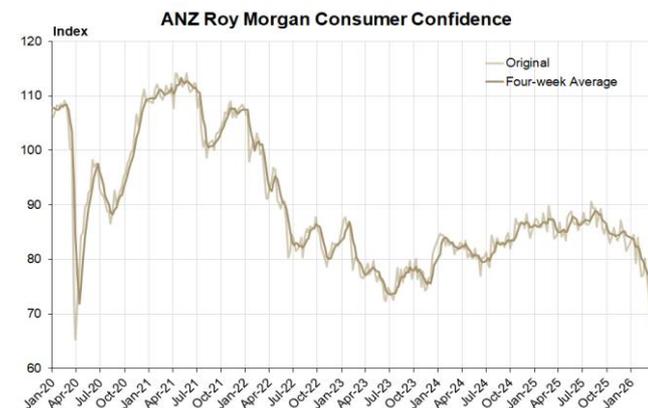
Source: Australian Institute of Petroleum

... pushing the **ANZ measure of consumer inflation expectations** above the 2022 peak.



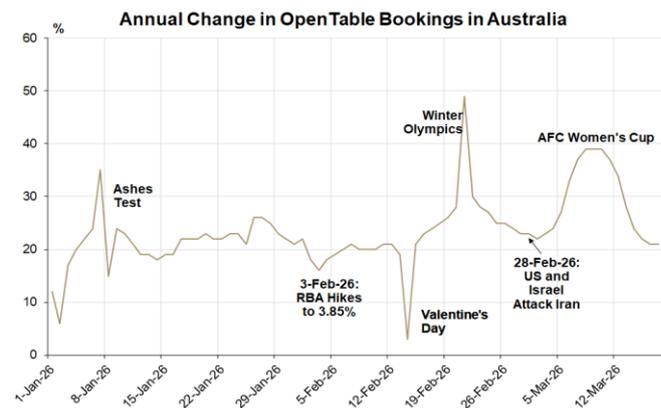
Source: ANZ

ANZ consumer confidence reached the lowest level since the heights of COVID-19 in 2020.



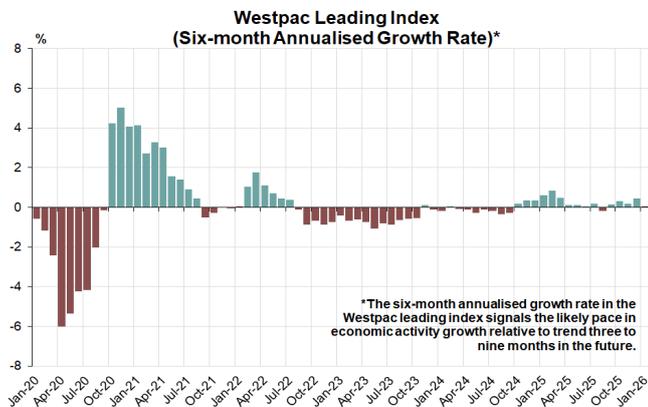
Source: Bloomberg

So far, there is no clear evidence of lower **discretionary spending** from cash rate hikes or the Middle East crisis.



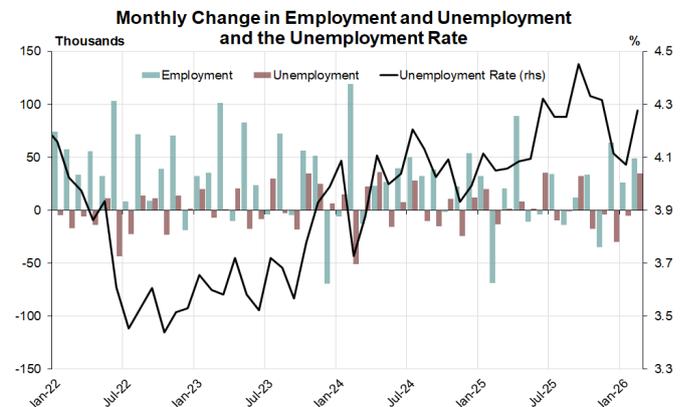
Source: OpenTable

The February **Westpac leading index**, predating the Hormuz Strait crisis, points to trend-like growth ahead...



Source: Bloomberg

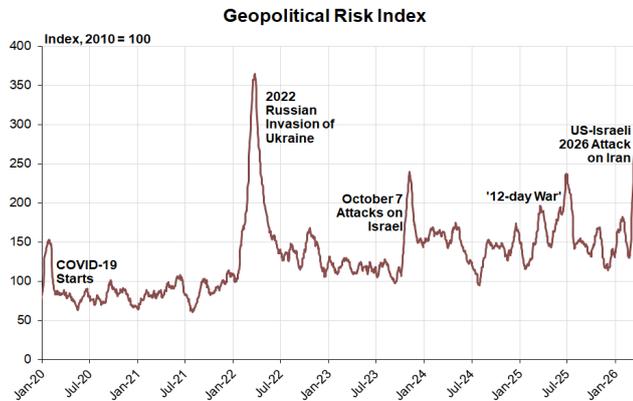
... while **employment** continued to climb and the unemployment rate remained in the low 4s.



Source: ABS

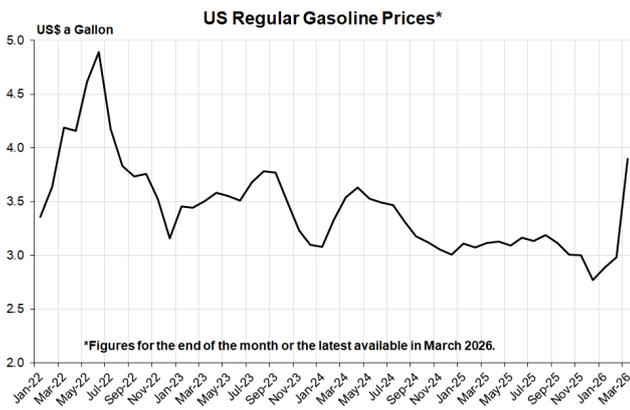
Global Economy

The **geopolitical risk perception** is on the rise, but remains below its 2022 peak.



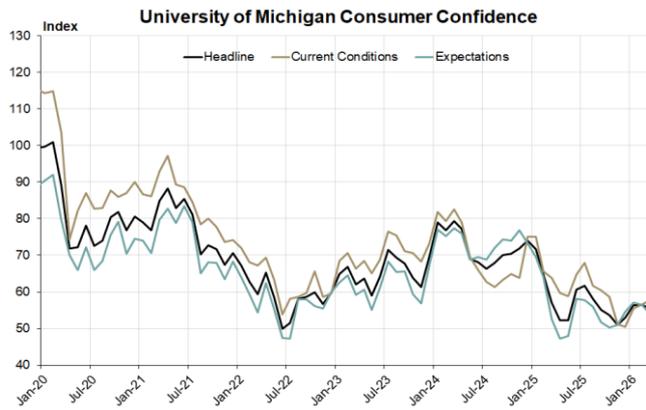
Source: Bloomberg

US petrol prices have also reached their highest levels since 2022.



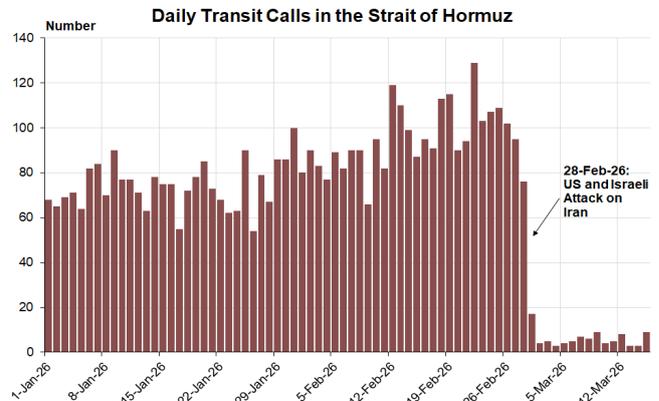
Source: Bloomberg

So far, the rise in US petrol prices has not translated into deterioration in **consumer confidence**...



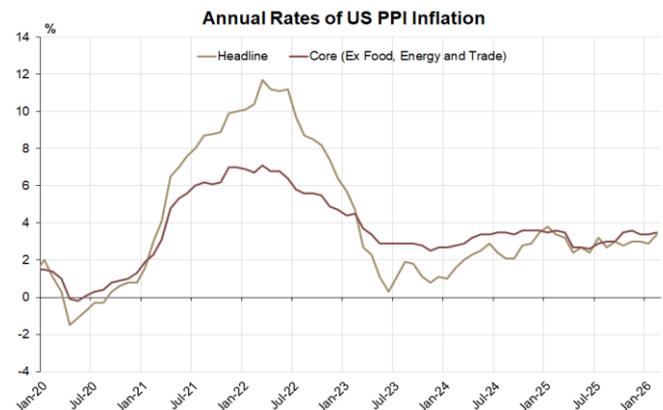
Source: Bloomberg

Only a handful of vessels are allowed to pass through the **Strait of Hormuz**.



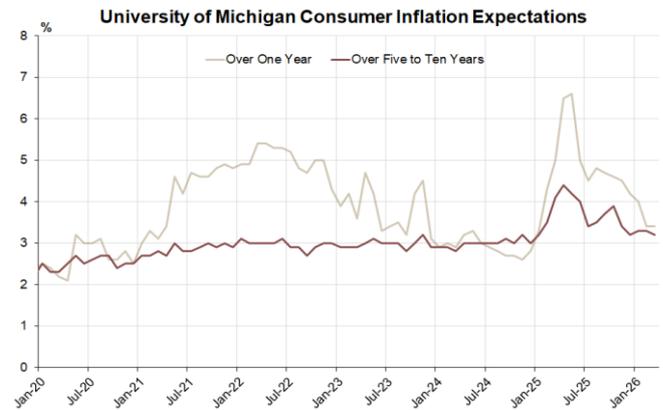
Source: International Monetary Fund / Oxford Environmental Change Institute

US producer price inflation picked up slightly ahead of the Strait of Hormuz crisis, but was still moderate.



Source: Bloomberg

... or a rise in **consumer inflation expectations**, even for the short-term horizon.



Source: Bloomberg

Last Week

Date	Event	Actual	Forecast	Previous	Comment
Mon 16					
CN	Retail Sales (YoY, Jan-Feb)	2.8%	2.5%	-	Despite the upside surprise, remains underwhelming.
CN	IP (YoY, Jan-Feb)	6.3%	5.3%	-	Continues to lead the growth in China
CN	Urban Fixed Inv. (YoY, Jan-Feb)	1.8%	-5.1%	-	Property investment dropped by 11.1% YoY YtD.
US	Industrial Production (YoY, Feb)	0.2%	0.1%	0.7%	Manufacturing activity also rose by 0.2%.
Tue 17					
AU	RBA Decision (Cash Rate Target)	4.10%	4.10%	3.85%	Expect further rate hikes.
AU	ANZ Cons. Conf. (w/e 14 Mar)	68.5	-	73.4	The lowest level of confidence since the height of COVID.
Wed 18					
AU	Westpac Lead. Index (MoM, Feb)	-0.1%	-	0.0%	Six-month annualised growth rate unchanged at 0.1%.
CA	BoC Decision (Policy Rate)	2.25%	2.25%	2.25%	Next move expected to be a hike.
US	PPI (MoM, Feb)	0.7%	0.3%	0.5%	Annual rate of producer price inflation rose to 3.4%.
US	FOMC Decision (IoRB)	3.65%	3.65%	3.65%	Only one more rate cut implied from the FOMC forecasts.
Thu 19					
AU	Employment (MoM, Feb)	48.9k	20.0k	26.1k	More workers switched to part-time instead of retiring.
AU	Unemployment Rate (Feb)	4.3%	4.1%	4.1%	Less people waiting to start a job that begun by February.
NZ	GDP (QoQ, Q4)	0.2%	0.5%	0.9%	Annual GDP growth remained at 1.3%.
JP	BoJ Decision (Policy Rate)	0.75%	0.75%	0.75%	Bank of Japan clearly signalled further rate hikes.
SE	Riksbank Decision (Policy Rate)	1.75%	1.75%	1.75%	The Riksbank continues to see no rate changes ahead.
CH	SNB Decision (Policy Rate)	0.00%	0.00%	0.00%	SNB signalled increased willingness for FX interventions.
EZ	ECB Decision (Deposit Rate)	2.00%	2.00%	2.00%	Euro area inflation forecasts revised upwards.
UK	Unemployment Rate (Nov-Jan)	5.2%	5.3%	5.2%	Claimant count rate up to 4.4% in February.
UK	BoE Decision (Bank Rate)	3.75%	3.75%	3.75%	Governor Bailey uneasy about upside risks to inflation.
US	Initial Jobless Claims (w/e 14 Mar)	205k	215k	206k	Continued claims little changed in w/e 7 March.
Fri 20					
	No market-moving data				

Next Week

Date	Event	Forecast	Previous	Comment
Mon 23				
	No market moving data			
Tue 24				
AU	S&P Global Composite PMI (Mar, flash)	-	52.4	Pointed to slower growth in private activity in February.
JP	S&P Global Composite PMI (Mar, flash)	-	53.9	Solid growth recorded in both manufacturing and services.
EZ	S&P Global Composite PMI (Mar, flash)	-	51.9	French PMI remained in recession in February.
UK	S&P Global Composite PMI (Mar, flash)	-	53.7	Has been a poor indicator of UK monthly GDP figures.
US	S&P Global Composite PMI (Mar, flash)	-	51.9	Less optimistic than its more established ISM equivalent.
Wed 25				
AU	CPI (YoY, Feb)	3.9%	3.8%	Annual trimmed mean expected to remain at 3.4%.
UK	CPI (MoM, Feb)	-	-0.5%	Anticipated to climb by 3.1% YoY.
Thu 26				
AU	Nat. Accounts: Finance and Wealth (Q4)	-	-	Insights into Australian debt and asset statistics.
AU	RBA Assistant Governor Speaks	-	-	Christopher Kent speaking at a KangaNews event.
NO	Norges Bank Decision (Policy Rate)	4.00%	4.00%	Norges Bank cut rates only twice, hikes expected again.
Fri 27				
	No market moving data			