

Highlights this week

- In Australia, annual CPI inflation rates held broadly steady ahead of the escalation in the Middle East. ANZ Roy Morgan consumer confidence reached the lowest level on record last week (since 1973), while consumer inflation expectations climbed to a record high. PMI S&P Global composite PMI plunged into contraction in March, with the rise in fuel prices translating into the strongest cost and price pressures since 2023.
- Abroad, messages on the conflict in the Middle East were quite mixed this week, though the attacks across the region continued and hardly any vessels officially crossed the Strait of Hormuz. S&P Global PMIs pointed to slower expansion in the major advanced economies, with supply chain disruptions as well as a rise in cost and price pressures.

Highlights next week

- The key domestic events next week will be the minutes from the March RBA meeting and February private sector credit on Tuesday, February dwelling approvals and March Cotality home prices on Wednesday as well as the February trade balance and Q1 job vacancies on Thursday.
- News about the Middle East conflict will continue to attract significant investor attention next week. The data highlights offshore include the US labour market figures as well as the US and Chinese PMIs.

Central Bank Rates (%)	Weekly Change	Australian Interest Rates (%)	Weekly Change	Major Overseas Interest Rates (%)	Weekly Change	Global Equities	Weekly Change
Australia	4.10 (0 pt)	O/N Interbank Cash	4.10 (0 pt)	USD 3-month	3.59 (↓2 pt)	ASX200	8458 (↓23 pt)
US (IOR)	3.65 (0 pt)	90-day Bills	4.30 (↑2 pt)	2-yr T-Notes	3.98 (↑19 pt)	S&P500	6477 (↓129 pt)
Eurozone (Deposit)	2.00 (0 pt)	3-yr T-Bond	4.78 (↑7 pt)	10-yr T-Notes	4.41 (↑16 pt)	DJIA	45960 (↓61 pt)
UK	3.75 (0 pt)	10-yr T-Bond	5.07 (↑8 pt)	Jap 10-yr	2.31 (↑3 pt)	Nikkei	52682 (↓690 pt)
Japan (Target)	0.75 (0 pt)	3-yr WATC Bond	4.95 (↑8 pt)	UK 10-yr	4.97 (↑13 pt)	CSI300	4478 (↓141 pt)
China (1Y LPR)	3.00 (0 pt)	10-yr WATC Bond	5.55 (↑9 pt)	Ger 10-yr	3.07 (↑11 pt)	Stoxx600	581 (↓3 pt)

Changes are since the previous issue of Market WATCH Weekly.

Financial Markets

Interest Rates

Government bond yields saw further increases this week, reflecting ongoing concerns over the impacts of the Middle East conflict on inflation and the monetary policy outlook.

G10 central banks are now widely expected to start monetary policy tightening at some point later this year.

The ECB, Bank of England and other central banks in Europe, which are particularly vulnerable to disruptions in oil and gas supplies from the Middle East, are expected to hike by mid-2026. A Fed funds rate hike remains only partially priced in for this year, with Fed officials speaking this week suggesting staying put rather than tightening.

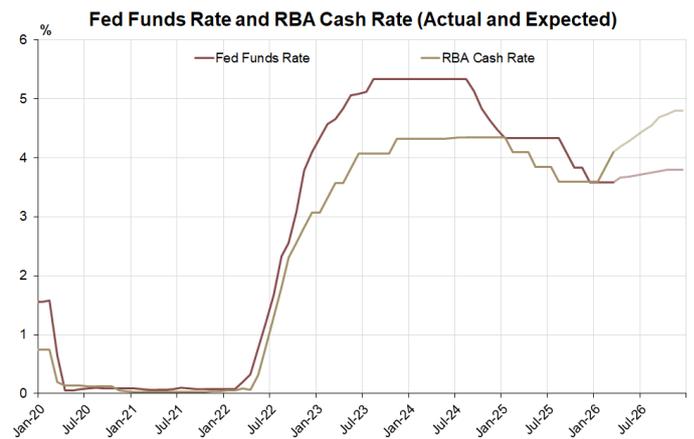
In Australia, RBA cash rate hike expectations eased over the week, but two more rate hikes remain fully priced in for this year. The probability of a 25bps increase in March is around 70% at the time of writing. RBA Assistant Governor Christopher Kent said this week that the rise in petrol prices, along with existing capacity pressures, could 'necessitate a more restrictive stance in monetary policy'.

Equities

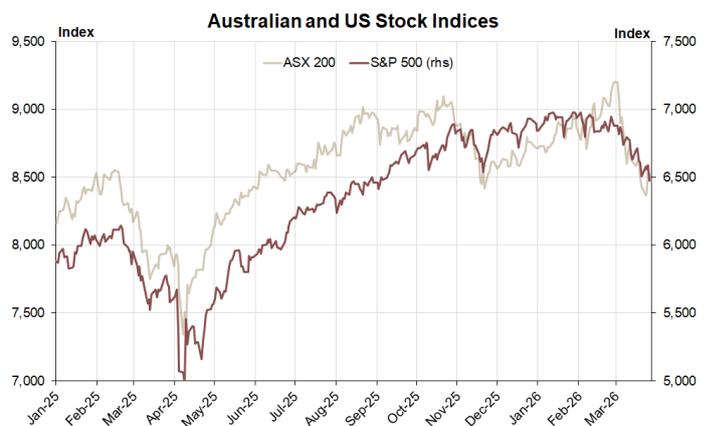
Global equities are again lower this week, with some volatility on the way. Concerns over the conflict pushed global stocks lower on Friday night. However, there was a turnaround on Monday, after US President Donald Trump said over the weekend that the US military was 'very close' to meeting its objectives and gave Iran a 48-hour ultimatum to re-open the Strait of Hormuz.

As the deadline for the ultimatum was drawing nearer, stock prices turned red again, before President Trump extended the deadline by five days. Stocks rose again on Wednesday night, before retreating on Thursday. The declines continue at the time of writing, despite yet another extension, until 6 April.

The ASX 200 is down by 0.3% for the week at the time of writing, with gains and losses almost equally split across the industries.



Source: Bloomberg



Source: Bloomberg

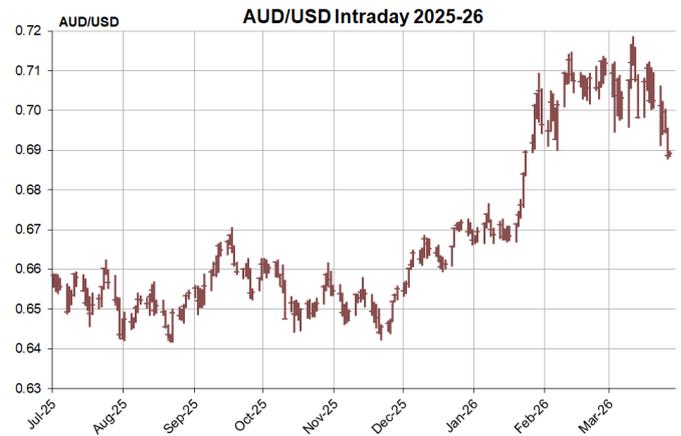
Currencies

The Australian dollar has been the weakest of the G10 currencies over the past week. The slide ended a period of outperformance that saw the currency rise against almost all the other members of the G10 basket, behind only the Norwegian krone.

The Aussie's fall began late Friday, as the Middle East war appeared on the brink of spiralling further. The currency bounced on Tuesday, as concerns of an immediate escalation eased, before resuming its decline.

The slide in the Aussie and the rise in the greenback has seen the AUD/USD fall to its lowest level since January.

The AUD trade-weighted index – which values the Aussie against a basket of foreign currencies based on the share of trade with Australia – has slipped to its lowest level in 3½ weeks.



Source: Bloomberg

Spot Rates		Current	High	Low	Change (%)	52-Week High	52-Week Low
AUD/USD		0.6884	0.7062	0.6872	↓2.9	0.7187	0.5915
AUD/EUR		0.5967	0.6075	0.5960	↓2.6	0.6199	0.4620
AUD/GBP		0.5161	0.5267	0.5154	↓2.3	0.5349	0.4620
AUD/JPY		109.85	111.78	109.63	↓2	113.96	86.05
AUD/CNY		4.7592	4.8580	4.7574	↓2.5	4.9373	4.3523
EUR/USD		1.1537	1.1640	1.1485	↓0.3	1.2081	1.0733
GBP/USD		1.3339	1.3479	1.3257	↓0.6	1.3868	1.2709
USD/JPY		159.56	159.85	158.02	↑0.9	159.90	139.89
USD/CNY		6.9134	6.9145	6.8774	↑0.4	7.3511	6.8316

Forward Rates		Spot	3M	6M	12M
AUD/USD		0.6884	0.6875	0.6862	0.6827
AUD/EUR		0.5967	0.5934	0.5903	0.5839
AUD/GBP		0.5161	0.5156	0.5152	0.5142
AUD/JPY		109.85	108.85	107.81	105.70
AUD/NZD		1.1946	1.1892	1.1834	1.1727
AUD/SGD		0.8850	0.8783	0.8711	0.8565

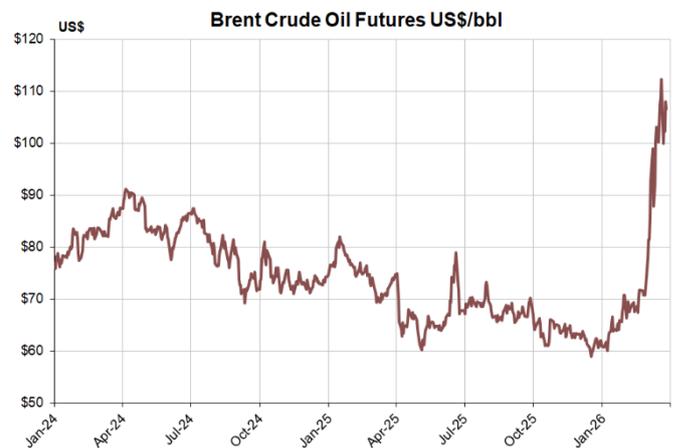
Commodities

Oil prices continue to be pushed around by news from the conflict in the Middle East.

Brent crude ended last Friday's trading session at its highest closing level since mid-2022, as the Iran War appeared on the brink of a dangerous escalation. The US President threatened to 'obliterate' Iranian energy infrastructure if the Strait of Hormuz was not re-opened within 48 hours. Iran warned it would respond by destroying infrastructure and oil facilities across the region.

Prices slipped after President Trump delayed his proposed strikes and extended the deadline twice amid what the President says are productive ceasefire talks. The deadline is currently extended to 6 April. Despite this apparent good news, crude oil prices have since lifted again as the risks of further escalation remain acute.

In other commodity news, gold prices slipped to the lowest levels since early January. Iron ore futures fell amid speculation China's state-backed commodity trader will lift restrictions on purchasing BHP iron ore, before picking up later again in the week.



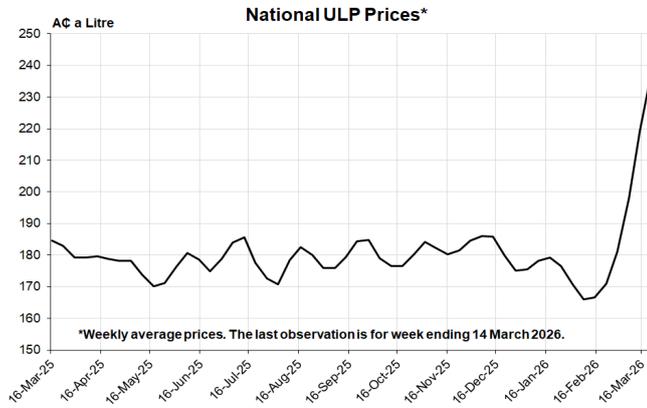
Source: Bloomberg

	Current	High	Low	Change	52-Week High	52-Week Low
Gold (US\$)	\$4,415.01	\$4,602.34	\$4,099.17	(↓\$267.07)	\$5,595.47	\$2,956.71
Brent Crude Oil (US\$)	\$106.55	\$114.43	\$96.00	(↑\$1.28)	\$119.50	\$58.40
Mogas95* (US\$)	\$126.27	\$150.55	\$120.36	(↓\$9.78)	\$150.55	\$67.57
WTI Oil (US\$)	\$93.21	\$101.67	\$84.37	(↓\$0.79)	\$119.48	\$54.98
CRB Index	361.91	367.12	350.74	(↓2.29)	367.12	279.79
Iron Ore Price 62% Fe (US\$) **	\$106.25	\$108.90	\$105.00	(↓\$1.8)	\$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.

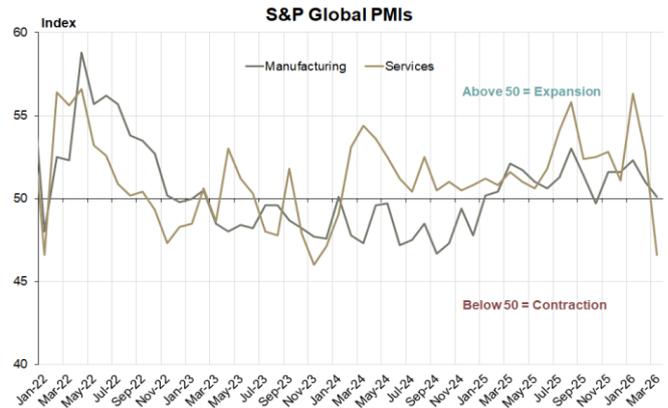
Domestic Economy

Petrol prices are still on the rise in Australia...



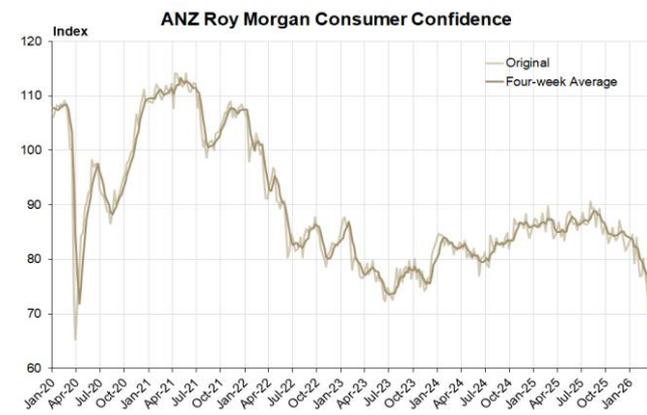
Source: Australian Institute of Petroleum

... resulting in a rise in cost and price pressures, which is already dampening activity, as suggested by PMIs.



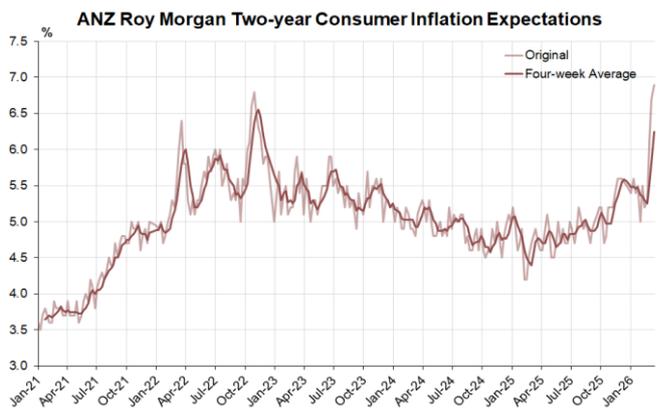
Source: Bloomberg

The rise in petrol prices and another cash rate hike drove ANZ consumer confidence to a record low.



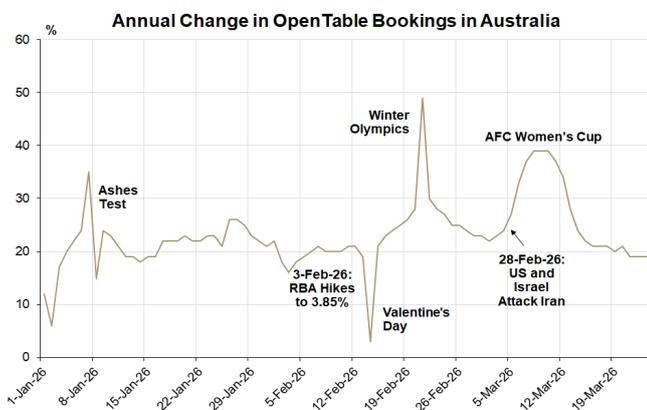
Source: Bloomberg

According to the ANZ survey, consumer inflation expectations reached their series high in mid-March.



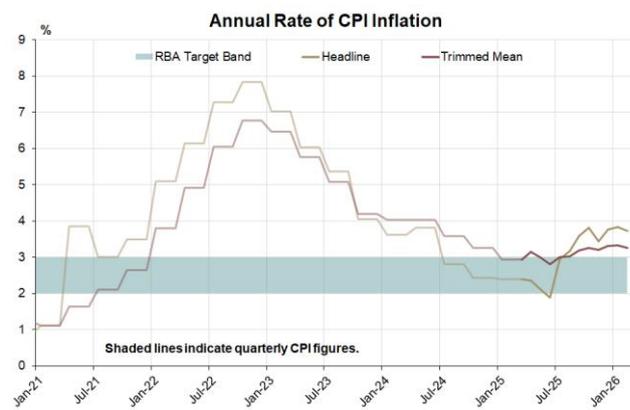
Source: ANZ

However, there is still no evidence that the situation is significantly impacting discretionary consumption.



Source: Open Table

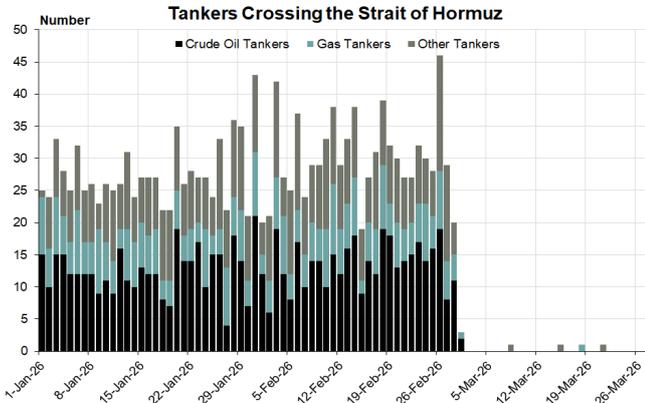
Annual CPI inflation rates remained above the RBA's target range ahead of the escalation in the Middle East.



Source: ABS

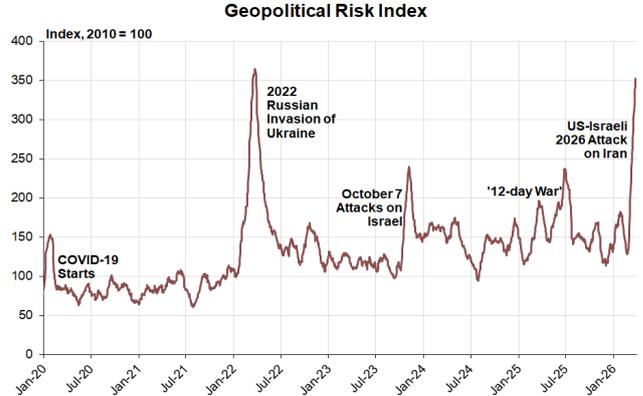
Global Economy

There are still hardly any vessels officially crossing the Strait of Hormuz...



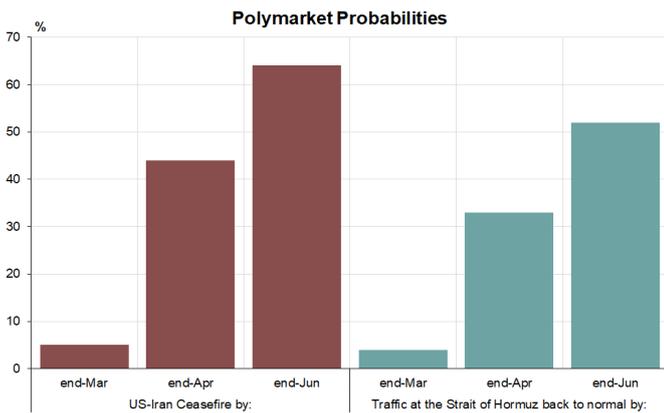
Source: Bloomberg

... while the ongoing attacks in the Middle East result in a further rise in geopolitical risk perception.



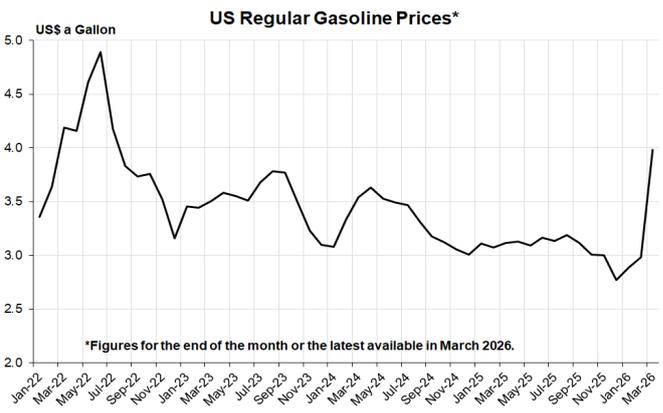
Source: Bloomberg

The Iran conflict is expected to continue for at least a month, the Strait of Hormuz disruptions to last longer.



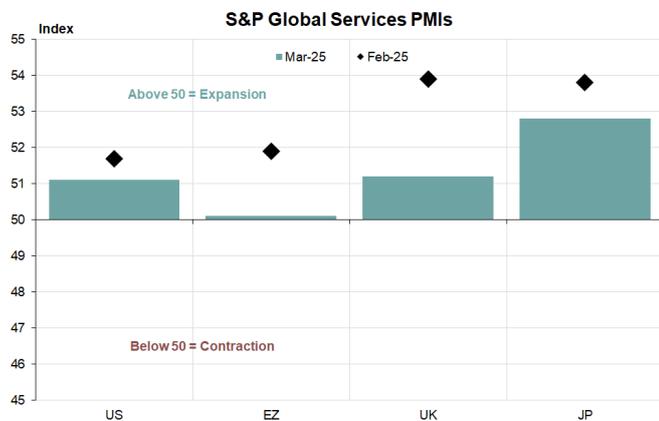
Source: Bloomberg

US petrol prices are surging, even if the US is not as impacted by the crisis as other countries.



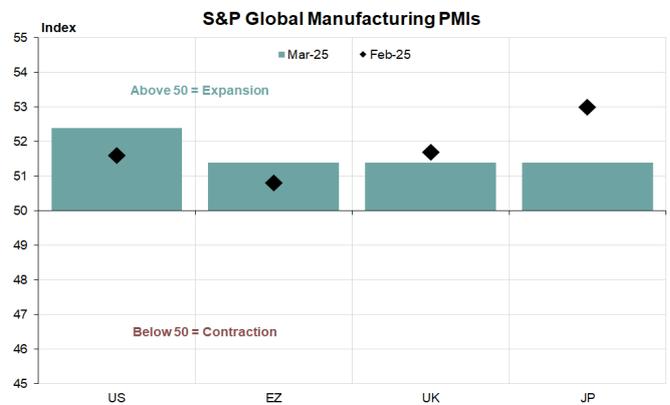
Source: GasBuddy

S&P Global PMIs suggested the rise in fuel costs and supply disruptions led to slowdown in services growth...



Source: Bloomberg

... though the impact of the Middle East conflict on global manufacturing is less obvious at this stage.



Source: Bloomberg

Last Week

Date	Event	Actual	Forecast	Previous	Comment
Mon 23					
	<i>No market moving data</i>				
Tue 24					
AU	S&P Global Composite PMI (Mar)	47.0	-	52.4	Cost and price pressures the highest since 2023.
AU	ANZ Cons. Conf. (w/e 21 Mar)	63.1	-	68.5	At a record low, inflation expectations at a record high.
JP	S&P Global Composite PMI (Mar)	52.5	-	53.9	Rise in cost pressures not passed on to final consumers.
JP	CPI (YoY, Feb)	1.3%	1.5%	1.5%	'Core-core' inflation down 0.1ppts to 2.5%.
EZ	S&P Global Composite PMI (Mar)	50.5	51.0	51.9	Euro area services near-stagnant.
UK	S&P Global Composite PMI (Mar)	51.0	52.8	53.7	MoM acceleration in price growth the largest since 1992.
US	S&P Global Composite PMI (Mar)	51.4	-	51.9	Supply disruptions and price growth the worst since 2022.
Wed 25					
AU	CPI (YoY, Feb)	3.7%	3.8%	3.8%	Price growth held steady ahead of the escalation in ME.
UK	CPI (MoM, Feb)				
Thu 26					
AU	Finance and Wealth (Q4)	-	-	-	Households have buffers to smoothen their consumption.
AU	RBA Assistant Governor Speaks	-	-	-	'More restrictive' monetary policy might be needed.
NO	Norges Bank (Policy Rate)	4.00%	4.00%	4.00%	Norwegian central bank signals upcoming rate hikes.
US	Initial Jobless Claims (w/e 21 Mar)	210k	210k	205k	Continued claims at two-year low.
Tonight					
US	UoM Consumer Conf. (Mar, final)	-	54.0	55.0	Will include more responses affected by the war.

Next Week

Date	Event	Forecast	Previous	Comment
Mon 30				
	<i>No market moving data</i>			
Tue 31				
AU	RBA Minutes (Mar)	-	-	Insights into discussion about a split vote.
AU	Private Sector Credit (MoM, Feb)	0.5%	0.5%	The RBA concerned about the pace of credit growth.
CH	NBS Composite PMI (Mar)	-	49.5	Has been more negative than the RatingDog component.
EZ	HICP (YoY, Mar, flash)	-	1.9%	Could incorporate very early impacts of higher fuel prices.
US	C-S Hse Prices 20 Cities (MoM, Jan)	-	0.5%	Precedes the recent turnaround in fed funds rate expectations.
US	JOLTS Job Openings (Feb)	-	6.9m	Remains below the number of officially unemployed.
Wed 01				
AU	Cotality Home Prices (MoM, Mar)	-	0.6%	RBA pivot saw home price growth stagnate in Syd and Mel.
AU	Dwelling Approvals (MoM, Feb)	4.5%	-7.2%	Remain insufficient for even slower population growth.
CH	RatingDog Manufacturing PMI (Mar)	52.5	52.1	Uncertain if the energy crisis has impacted CH manufacturing.
US	ADP Employment (monthly change, Mar)	40k	63k	Failed to predict a fall in non-farm payrolls in February.
US	ISM Manufacturing PMI (Mar)	52.3	52.4	S&P Global signalled faster expansion.
Thu 02				
AU	Trade Balance (Feb)	A\$3.0b	A\$2.6b	Precedes the recent increase in fossil fuel trade values.
AU	Job Vacancies (QoQ, Q1)	-	-0.2%	Were down 5.2% YoY in Q4 2025.
Fri 03				
CH	RatingDog Services PMI (Mar)	53.7	56.7	Slowdown expected.
US	Non-farm Payrolls (monthly change, Mar)	51k	-92k	The February decline was broad-based.
US	Unemployment Rate (Mar)	4.4%	4.4%	FOMC left its long-run estimate at 4.2% in March.