

Research Markets Today

18 March 2026

Events Round-Up

NZ: Food price index (y/y%), Feb: 4.5 vs. 4.2 prev.

AU: RBA cash rate target (%), Feb: 4.1 vs. 4.1 exp.

US: Pending home sales (m/m%), Feb: 1.8 vs. -0.6 exp.

Good Morning

The lift in risk appetite noted in yesterday's report has been sustained, with some further modest follow through. US and European equities are higher again, while global rates have pushed down a little further. Oil prices have been range bound over the past 24 hours, with Brent crude hovering near USD102 per barrel. The USD is broadly weaker overnight, and the NZD is up modestly to 0.5865. Another RBA rate hike has supported the AUD and sent NZD/AUD down to a fresh multi-year low.

The Iran conflict continues to occupy attention, although market movements have been modest over the past 24 hours. Investors are seemingly awaiting further developments before deciding on the next big move.

In overnight news, President Trump fired off an angry social media post, raging about the lack of support for the Iran conflict from NATO partners as well as Japan, Australia and South Korea, and arguing that the US no longer needs or desires their help.

The Strait of Hormuz remains effectively closed, with only a handful of vessels making the crossing. Iran is continuing with its attacks on neighbouring gulf countries unabated, targeting energy infrastructure. A top US counterterrorism official, who has previously twice earned Trump's endorsement in his failed bids for Congress, resigned saying, "I cannot in good conscience support the ongoing war in Iran...Iran posed no imminent threat to our nation, and it is clear that we started this war due to pressure from Israel and its powerful American lobby". Israel claimed to have killed Iran's security chief as well as another key commander. Trump said he is postponing by about five or six weeks his scheduled visit to China to meet with President Xi.

Equity markets show modest gains, with the US S&P500 up 0.4% in early afternoon trading, paring a gain of 0.8% earlier in the session. The Euro Stoxx 60 closed up 0.7%.

Ahead of the Fed's next policy update in about 24 hours, US Treasury yields have steadily fallen overnight. The 10-year rate is currently just under 4.2%, down a few basis points from the NZ close. The 2-year rate has shown a similar move. European yields have also fallen, led by the long end, resulting in curve flattening.

Oil prices have been range-bound, with Brent crude trading between USD101-105 per barrel. Bloomberg reports Asia's oil refiners are ramping up crude oil purchases from outside the Middle East, especially for prompt deliveries, being willing to pay elevated premiums to secure supply. The implication for NZ is that this could reduce the chance of fuel rationing in a few weeks, albeit it locks in the prospect of high or higher prices over the next month or two.

At the overnight GDT dairy auction, the price index rose just 0.1%, breaking a run of strong gains since the start of the year, with a 4% plunge in whole milk powder prices offset by a strong 5.2% gain in skim milk prices.

Yesterday, the RBA hiked its cash rate by 25bps as widely expected, to 4.1%, although the decision was closer than expected, coming down to a 5-4 vote. While this was initially seen as dovish, RBA Governor Bullock provided clarity that the close vote reflected debate over the timing of the hike rather than the need to hike. Her update was viewed as hawkish, as she repeatedly noted inflation was too high and that the board was concerned about second-round effects from higher energy costs, triggered by the Middle East conflict. The market sees it more likely than not that a third consecutive hike will follow at the next meeting in May.

Initial AUD weakness following the decision quickly reversed following the press conference and the AUD has made a further modest gain overnight to trade over 0.71. The NZD fell below 0.5820 in the wake of the announcement before recovering to 0.5865, leaving it up modestly since this time yesterday. However, NZD/AUD fell to just over 0.8230, a fresh low not seen since 2013, and currently trades at 0.8250. Net NZD cross movements overnight have been minimal.

Following selected NZ monthly CPI data, we didn't change our estimate of inflation of 0.8% q/q and 2.9% y/y for Q1. Building in the recent lift in fuel prices, we conservatively project inflation sharply increases to 3.8% in Q2 and remains above the top of the RBNZ's 1-3% target range.

through the entire year. For those counting, that would be six full years of annual inflation running above the 2% mid-point and most of that time running above the top of the range. The RBNZ's decision last year to drive down the OCR to 2.25% was an active policy choice that drove down the NZD, adding to inflation pressure. Sitting on the sidelines while the RBA embarks on a tightening cycle adds to that inflation pressure.

The domestic rates market saw a reversal of the prior day's price action, with higher rates attracting buyers of NZGBs and receiving interest in the swaps market. Swap rates fell 6-8bps across the curve while NZGBs fell 3-6bps. The RBA's policy update came after the NZ close, and since then the Australian 3-year bond future is down 6bps in yield terms while the 10-year yield is 7bps lower.

On the economic calendar, NZ's annual current account deficit is expected to show a small improvement to 3.4% of GDP, which would be the smallest deficit in 4½ years. US PPI data for February will be released ahead of the Fed's policy update at 7am Thursday NZ time, where there is

strong consensus that the bank will leave policy unchanged. Given the uncertainty about the impact of the Iran conflict, the projections will have less meaning than usual, but there will be keen interest in Chair Powell's comments about how the conflict might impact future policy decisions. Ahead of the Fed, the Bank of Canada also provides a policy update, where policy has been on hold and is expected to remain that way over coming meetings.

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Coming Up

		Period	Cons.	Prev.	NZT
NZ	Current a/c bal. (ann % of GDP)	Q4	-3.4	-3.5	10:45
US	PPI ex food, energy (m/m %)	Feb	0.3	0.8	01:30
US	PPI ex food, energy (y/y %)	Feb	3.7	3.6	01:30
CA	Bank of Canada policy rate (%)	Feb	2.25	2.25	02:45
US	Fed Funds (upper bound %)	Feb	3.75	3.75	07:00

Source: Bloomberg

Currencies					Equities					Commodities				
FX Majors		Indicative overnight ranges (*)			Other FX		Major Indices			Price (Near futures, except CRB)				
	Last	% Day	Low	High	Last	% Day	Last	% Day	% Year	Last	Net Day			
NZD	0.5863	+0.1	0.5817	0.5865	CHF	0.7849	-0.4	S&P 500	6,724	+0.4	18.5	Oil (Brent)	102.37	+2.2
AUD	0.7110	+0.5	0.7056	0.7118	SEK	9.280	-0.7	Dow	47,056	+0.2	12.5	Oil (WTI)	95.30	+2.0
EUR	1.1537	+0.3	1.1466	1.1544	NOK	9.588	-0.9	Nasdaq	22,472	+0.4	26.2	Gold	5010.5	+2.0
GBP	1.3355	+0.3	1.3274	1.3360	HKD	7.837	+0.1	Stoxx 50	5,769	+0.5	5.9	HRC steel	1015.0	-0.1
JPY	158.99	-0.1	158.72	159.50	CNY	6.886	-0.1	FTSE	10,404	+0.8	19.9	CRB	359.7	-1.7
CAD	1.3695	+0.1			SGD	1.276	-0.1	DAX	23,731	+0.7	2.5	Wheat Chic.	602.0	-0.9
NZD/AUD	0.8246	-0.5			IDR	16,997	+0.0	CAC 40	7,974	+0.5	-1.2	Sugar	14.45	+1.8
NZD/EUR	0.5082	-0.2			THB	32.29	-0.1	Nikkei	53,700	-0.1	41.9	Cotton	68.84	+1.0
NZD/GBP	0.4390	-0.2			KRW	1,488	-0.2	Shanghai	4,050	-0.9	18.2	Coffee	294.8	+0.7
NZD/JPY	93.22	-0.0			TWD	31.92	-0.4	ASX 200	8,614	+0.4	9.6	WM powder	3920	+0.1
NZD/CAD	0.8029	+0.1			PHP	59.81	-0.2	NZX 50	13,182	+0.1	9.2	Australian Futures		
NZ TWI	66.77	-0.2					VIX Index	22.38	-4.8	+9.1	3 year bond	95.42	0.05	
											10 year bond	95.07	0.05	
Interest Rates														
Rates		Swap Yields			Benchmark 10 Yr Bonds			NZ Government Bonds			NZ BKBM and Swap Yields			
	Cash	3Mth	2 Yr	10 Yr	Last	Net Day	Last	Chg		Last	Chg		Last	Chg
USD	3.75	4.85	3.49	3.74	USD	4.19	-0.02	15-May-28	3.47	-0.04	BKBM 1-mth	2.43	0.00	
AUD	3.85	4.18	4.52	5.00	AUD	4.94	-0.06	20-Apr-29	3.75	-0.03	BKBM 3-mth	2.53	0.00	
NZD	2.25	2.53	3.32	4.30	NZD	4.68	-0.05	15-May-30	3.99	-0.04	1 year	2.84	-0.03	
EUR	2.00	2.16	2.58	2.93	GER	2.91	-0.05	15-May-31	4.19	-0.04	2 year	3.32	-0.07	
GBP	3.75	3.87	3.91	4.25	GBP	4.69	-0.08	15-May-32	4.33	-0.05	3 year	3.60	-0.07	
JPY	0.74	-0.03	1.26	2.05	JPY	2.28	0.00	14-Apr-33	4.42	-0.05	5 year	3.90	-0.06	
CAD	2.25	4.97	2.56	3.14	CAD	3.39	-0.04	15-May-34	4.51	-0.05	7 year	4.09	-0.07	
								15-May-35	4.60	-0.05	10 year	4.30	-0.08	
								15-May-36	4.68	-0.05	15 year	4.55	-0.08	
								15-May-37	4.78	-0.05				
								15-May-41	5.01	-0.06	NZ Inflation-Indexed Bonds			
								15-May-51	5.26	-0.05	Sept-30	1.68	-0.08	
								15-May-54	5.28	-0.04	Sept-35	2.46	-0.08	
											Sept-40	2.88	-0.08	

* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer

Rates are as of: NZT 06:49

Source: Bloomberg

NZD exchange rates

18/03/2026	6:49 am	Prev. NY close
USD	0.5863	0.5861
GBP	0.4390	0.4400
AUD	0.8246	0.8288
EUR	0.5082	0.5094
JPY	93.22	93.23
CAD	0.8029	0.8021
CHF	0.4600	0.4617
DKK	3.7981	3.8066
FJD	1.2885	1.3022
HKD	4.5923	4.5893
INR	54.14	54.17
NOK	5.6218	5.6697
PKR	163.68	163.74
PHP	35.05	35.10
PGK	2.5183	2.5209
SEK	5.4427	5.4757
SGD	0.7482	0.7489
CNY	4.0350	4.0386
THB	18.96	19.05
TOP	1.3737	1.3652
VUV	69.94	69.95
WST	1.5779	1.5914
XPF	60.64	60.72
ZAR	9.7772	9.7732



NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	6.87	7.05
3 Months	20.00	20.40
6 Months	35.96	37.00
9 Months	47.30	49.15
1 Year	53.54	56.16

NZD/AUD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	12.75	13.23
3 Months	38.98	40.05
6 Months	77.08	79.71
9 Months	114.59	118.96
1 Year	146.70	153.13

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