

Research Markets Today

23 March 2026

Events Round-Up

NZ: Trade balance (ann, \$b), Feb: -3.0 vs. -2.3 prev.

CA: Retail sales ex auto (m/m%), Jan: 0.8 vs. 1.2 exp.

Good Morning

It was a risk off session on Friday night as investors factored in a more prolonged war in the Middle East. Equity markets were much weaker and global rates surged as investors built in the likelihood of tighter monetary to combat higher inflation. The NZD and AUD underperformed as the risk off vibe reverberated. Over the weekend, the conflict has escalated further, with the US, Israel and Iran hurling threats and Iran bombing two cities in Israel and showing off its long-range ballistic missile capability.

After we went to print on Friday, risk sentiment was more positive following Israel's PM Netanyahu press conference where he said Israel acted alone in attacking Iran's South Pars gas field which had sparked retaliatory attacks, and that the country would no longer target energy infrastructure. He added Israeli forces would help the US attempt to open the Strait of Hormuz and that strikes had destroyed Iran's ability to enrich uranium and to produce ballistic missiles, and that he saw "this war ending a lot faster than people think".

However, risk sentiment deteriorated during the Friday night trading session as it was clear that the war was escalating, not de-escalating as hoped. Iran continued with its attacks on neighbouring Gulf nations. IEA head Birol told the FT the conflict was "the greatest global energy security threat in history" and politicians and markets were still underestimating the scale of the crisis. He added that it would take six months or longer to bring oil and gasfields, which had been shut down or damaged, back online.

Axios reported that the Trump administration is considering plans to occupy or block Iran's Kharg Island to pressure Iran to reopen the Strait of Hormuz. The island processes 90% of Iran's crude oil exports. Sources said an occupation of the island by ground troops is under serious consideration and another option is to impose a naval blockade and prevent tankers from reaching the island. Trump didn't rule out this possible strategy.

The WSJ reported that the Pentagon is sending three warships and thousands (2,200-2,500) of additional Marines to the Middle East, even as President Trump insisted he won't put American boots on the ground in Iran, according to US officials. This adds to the 5,000-strong deployment of Marines earlier in the week, including a regimen from Japan. The addition of ground forces sends a signal of a long, drawn-out war, not one that can end quickly. Some Marines won't even arrive in the area until mid-April.

With all that to digest, equity markets were much weaker, with the S&P500 closing down 1.5% and the Euro Stoxx 600 index falling 1.8%. Brent crude settled just over USD112 per barrel, less than a dollar from its high for the day just over USD113, and taking its weekly gain to 9%.

Global rates surged, with investors concerned about the risk of a prolonged war adding to inflation, pressure on fiscal accounts, and central banks needing to counter the impact with tighter policy. US Treasuries rose 10-13bps across the curve, with the 10-year rate closing at an eight-month high of 4.38%. There were similar sharp moves across Europe. UK Gilts continued to be hit hard, rising 13-16bps, with the hawkish update by the BoE the previous day fresh in the minds of investors. The UK 10-year rate hit 5% for the first time since 2008.

Investors now see more chance of rate hikes than cuts by the Fed this year. Bundesbank Governor Nagel didn't help sentiment for the European rates market by opening the door for an April rate hike saying, "as things currently stand...a more restrictive monetary policy stance would probably be necessary". The market closed the day pricing 20bps of hikes for that meeting, the same as priced for the BoE's April meeting.

In currency markets, movements were more orderly, but the NZD and AUD underperformed during the risk-off session Friday night. The NZD closed the week around 0.5830 while the AUD closed around 0.7020 and NZD/AUD was steady around 0.83. Other NZD crosses were all modestly weaker heading into the weekly close.

The domestic rates market continued to follow the trend of higher global yields. Despite the soft economy, if other central banks are hiking rates, NZ would likely need to join in or risk a currency crisis. Curves were significantly flatter, with the 2-year swap rate surging 17bps to 3.54% and the 10-year rate rising by "only" 10 bps to 4.40%. For NZGBs,

the 2-year rate rose 14bps while long-term rates rose in the order of 4-5bps, outperforming the swap market. The OIS market closed with a full rate hike priced by July and just over three hikes for the year.

On Friday night, Fitch Ratings revised the outlook on NZ's long-term foreign currency issuer default rating to negative from stable and affirmed the rating at AA+. Fitch said the revision reflected its view that a substantial debt reduction is becoming difficult to envisage, as fiscal consolidation has been delayed in the past few years.

The sell-off in global rates markets overnight can only add to further upside pressure on NZ rates at the open. The Australian 10-year bond future is up about 12bps in yield terms since the NZ close.

Since the New York close, there have been further developments. Soon after the close, Trump said he was considering "winding down" US military efforts against Iran, saying the US was "very close" to meeting its objectives. This contrasted with his earlier comments in the day and the decision to send more Marines to the region. It also contrasted with comments by Israel's defence minister that attacks by the US and Israel will "increase significantly" in the week ahead, while Israel's military chief said "we are at the half-way point". CBS reported that the White House has been exploring options to extract Iran's nuclear materials through special forces, adding to the sense that the war was far from over.

Furthermore, Iran fired two intermediate-range ballistic missiles at Diego Garcia, a joint US-UK military base in the middle of the Indian Ocean. While neither of the missiles hit the base, it confirmed Iran's ballistic missile firing power had not been eradicated and the 4000km range of the missiles was greater than Tehran had previously

acknowledged. This puts major cities in Europe in the firing line of Iranian missile attacks, should it choose to draw other countries into the conflict. Iran also bombed two cities in Israel, one close to the country's main nuclear facility.

Yesterday afternoon, Trump issued a warning on his social media post, "If Iran doesn't fully open, without threat, the Strait of Hormuz, within 48 hours...the USA will hit and obliterate their various power plants, starting with the biggest one first". Iran countered that if its power facilities come under attack, it would close the Strait of Hormuz "completely" and target "all energy, information technology, and desalination infrastructure belonging to the US and the Israel regime in the region".

Needless to say, since the weekend close, news on the conflict has been mainly bad, and sets the scene for investor risk appetite to sour further.

The economic calendar is light to start the week. Later in the week sees the release of global PMIs and February CPI data for Japan, Australia and the UK. The domestic focus will be on RBNZ Governor Breman's speech tomorrow, where she will address the impact of the conflict in the Middle East. We'll be interested in her tone on the policy outlook, ahead of the expected surge in inflation and with the modest economic recovery in play under serious threat.

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Coming Up

	Period	Cons.	Prev.	NZT
EC Consumer Confidence	Mar	-14.2	-12.2	04:00

Currencies					Equities					Commodities				
FX Majors		Indicative overnight ranges (*)			Other FX		Major Indices			Price (Near futures, except CRB)				
	Last	% Day	Low	High		Last	% Day		% Year		Last	Net Day		
NZD	0.5829	-0.8	0.5818	0.5892	CHF	0.7880	-0.0	S&P 500	6,506	-1.5	14.8	Oil (Brent)	112.19	+3.3
AUD	0.7022	-0.9	0.7005	0.7097	SEK	9.343	+0.6	Dow	45,577	-1.0	8.6	Oil (WTI)	98.23	+2.8
EUR	1.1570	-0.1	1.1525	1.1581	NOK	9.563	+0.8	Nasdaq	21,648	-2.0	21.7	Gold	4574.9	-0.7
GBP	1.3342	-0.7	1.3299	1.3437	HKD	7.833	-0.0	Stoxx 50	5,501	-2.0	1.4	HRC steel	1012.0	+0.3
JPY	159.24	+1.0	158.26	159.39	CNY	6.904	+0.2	FTSE	9,918	-1.4	14.7	CRB	367.1	+0.8
CAD	1.3724	-0.1			SGD	1.282	+0.4	DAX	22,380	-2.0	-2.2	Wheat Chic.	607.3	-2.0
NZD/AUD	0.8302	+0.2			IDR	16,928	-0.4	CAC 40	7,666	-1.8	-4.7	Sugar	15.70	+2.1
NZD/EUR	0.5038	-0.6			THB	32.89	+1.3	Nikkei	53,373	-3.4	41.7	Cotton	67.31	-0.5
NZD/GBP	0.4369	-0.0			KRW	1,504	+0.6	Shanghai	3,957	-1.2	17.6	Coffee	309.8	+2.9
NZD/JPY	92.82	+0.2			TWD	31.92	-0.1	ASX 200	8,428	-0.8	6.3	WM powder	3785	-0.3
NZD/CAD	0.7999	-0.8			PHP	59.80	-0.5	NZX 50	12,990	-0.5	7.2	Australian Futures		
NZ TWI	66.75	-0.3						VIX Index	26.78	+11.3	+38.9	3 year bond	95.17	-0.17
												10 year bond	94.83	-0.14

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			
USD	3.75	4.85	3.74	3.90	USD	4.38	0.13	15-May-28	3.59	0.14	BKBM 1-mth	2.43	0.00
AUD	4.10	4.29	4.84	5.23	AUD	5.02	0.05	20-Apr-29	3.86	0.12	BKBM 3-mth	2.52	0.01
NZD	2.25	2.52	3.54	4.40	NZD	4.73	0.05	15-May-30	4.08	0.11	1 year	2.99	0.15
EUR	2.00	2.11	2.87	3.07	GER	3.04	0.08	15-May-31	4.28	0.10	2 year	3.54	0.17
GBP	3.75	3.86	4.46	4.51	GBP	4.99	0.15	15-May-32	4.40	0.08	3 year	3.79	0.15
JPY	0.73	-0.03	1.27	2.07	JPY	2.28	0.00	14-Apr-33	4.48	0.07	5 year	4.05	0.12
CAD	2.25	4.97	2.96	3.31	CAD	3.56	0.12	15-May-34	4.57	0.06	7 year	4.22	0.10
								15-May-35	4.65	0.05	10 year	4.40	0.07
								15-May-36	4.73	0.05	15 year	4.64	0.06
								15-May-37	4.83	0.05			
								15-May-41	5.06	0.04			
								15-May-51	5.31	0.04			
								15-May-54	5.33	0.04			

Carbon Price				Policy Meeting Run			
	Level	% Day	% Year		NZD	AUD	USD
NZU	40.50	+0.0	-30.8	1st	2.30	4.30	3.69
				2nd	2.41	4.42	3.71
				3rd	2.55	4.64	3.72
				4th	2.72	4.81	3.74
				5th	2.80	4.92	3.75

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

Rates at NY close

Source: Bloomberg

NZD exchange rates

21/03/2026	NY close	Prev. NY close
USD	0.5829	0.5874
GBP	0.4369	0.4373
AUD	0.8302	0.8288
EUR	0.5038	0.5069
JPY	92.82	92.65
CAD	0.7999	0.8070
CHF	0.4596	0.4630
DKK	3.7659	3.7868
FJD	1.2832	1.2973
HKD	4.5683	4.6015
INR	54.65	54.41
NOK	5.5769	5.5711
PKR	162.90	164.10
PHP	35.05	34.96
PGK	2.5084	2.5275
SEK	5.4487	5.4557
SGD	0.7477	0.7504
CNY	4.0262	4.0477
THB	19.12	19.26
TOP	1.3435	1.3638
VUV	69.38	70.18
WST	1.5626	1.5777
XPF	60.24	60.76
ZAR	9.9368	9.8465



NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	6.48	6.70
3 Months	19.04	19.60
6 Months	34.92	36.54
9 Months	47.05	50.55
1 Year	54.83	59.77

NZD/AUD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	12.19	12.76
3 Months	37.83	39.24
6 Months	76.50	80.31
9 Months	116.92	123.48
1 Year	153.06	163.04

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