

Mar 03, 2026

## Three Take-Aways

- 1) The widening Iran conflict risks sharp escalation, and significant extension, on. Trump's "whatever it takes".
- 2) Alongside an effective blockade of the Straits of Hormuz, the shipping risk premium is sharply higher and risk of latent energy shocks are amplified.
- 3) The RBA has flagged hawkish trigger from Middle East energy shocks, which could support AUD (backed further by gas price).

## MACRO THEME: "Whatever It Takes"

- Trump's "whatever it takes" on the Iran conflict, blows off *Hesgeth's attempts to assuage concerns of a drawn-out war*.
- Given Israel's declaration of a new wave of strikes, *chances are, the US will be drawn into greater and far more perilous engagement*.
- *Especially as "leadership decapitation" as a gambit appear to have backfired, resulting in more radicalized/resistant Iranian Revolutionary Guards.*

## Unstoppable vs. Immovable – More Dangerous & Drawn Out

- The acute geopolitical danger here is that a US that will not backdown may be confronting an Iran with nothing to lose.
- = That is, the **geopolitical equivalent** of an "unstoppable force meeting an immovable object".
- Inevitably, this mean that the **Iran conflict is tipping towards dangerously acute escalation**.
- Worse, this could be **far more drawn out with Trump's timeline threat of "four to five weeks ... (with the) capability to go far longer"**.

## Widening War

- Most dangerously, this **US/Israel-Iran conflict rapidly widening out**, may be **uncomfortably close to the precipice of a Middle East war**.
- For one, the **killing of the Supreme Leader Ayatollah Khamenei** amid "regime change" narrative unleashing unrestrained IRGC\* attacks across the region.
- Second, more **radicalization of autonomous Iranian proxies, opportunistic terrorists and brewing sectarian warlords on the brink of conflict** seizing the situation **add to the anarchy**.
- Finally, self-preservation instincts of **regional players joining the conflict** inadvertently, **on US' failure to underwrite security**, **inadvertently exacerbate the threats of a wider, longer-drawn and high-cost war**.

\*IRGC Revolutionary Guard Corps

## The "Hormuz Move"

- Notably, the **Iranian Revolutionary Guards' attack on a US oil tanker in the Straits of Hormuz flags acute shipping risks**.
- This key **chokepoint through which ~20% of global oil (and gas) pass through entail enlarged, latent risks of sharp energy shocks**.

## DATA/EVENTS

Overnight	Actual	Exp.	Prior
(US) ISM Manufacturing/Prices Paid (Feb)	52.4/70.5	51.4/60.0	52.6/59.0
(ID, IN, MY, PH, TH, TW, VN) PMI Mfg (Feb)			
(ID) Exports/Imports YoY (Jan)	3.4%/18.2%	11.0%/15.0%	11.6%/10.8%
(ID) CPI/Core YoY (Feb)	4.8%/2.6%	4.3%/2.5%	3.6%/2.5%
(IN) Industrial Production YoY (Jan)	4.8%	6.0%	8.0%

Today	Actual	Exp.	Prior
(EZ) CPI/Core YoY (Feb P)		1.7%/2.2%	1.7%/2.2%
(JP) Job-To-Applciant Ratio/Jobless Rate (	1.2/2.7%	1.2/2.6%	1.2/2.6%
(AU) BoP Current Account Balance (4Q)	-\$21.1b	-\$16.5b	-\$16.6b

- **Oil freight prices have surged** to records, with reports of **~\$20/bbl transport cost now being demanded** (some eight-fold of ~\$2.50 average last year).

- To be clear, this is **real-time risk re-pricing not** (as yet) the reflection of **an effective blockade**, which is *a fat tail-risk as the Iran conflict intensifies*.

## (Under-priced) Energy Shock Threats

- Arguably, the **shipping premium**, which is *priced separate to crude pricing*, partly **captures the escalating geo-political risk premium**.
- **But** the reality is that **latent risk of acute energy price shocks** may still be **under-priced**.
- Higher shipping price is one thing. **Seriously impaired passage** is quite another, which is **harder to fully reflect**.
- Crucially, alongside threats to production and pipeline destruction from the widening regional war, **upside risks to crude may of a far higher order\*\***.
- And OPEC reassurances of supply. Amid a war in the Middle East, is simply not convincing.

\*\*Assuming 10-15% "real time" supply impairment, the potential for crude to spike by another \$30-45/bbl is conservative.

**Yields (2Y: +9.8bp; 10Y:+9.5bp; 30Y: +6.8bp)**

**Equities (Nasdaq: +0.4%; S&P 500: +0.04%; Dow: -0.2%)**

**FX (DXY: +0.8%)**

## RBA Warns of "Live" March & Iran Conflict Triggers

*"If you are not too long, I will wait for you all my life."* – **Oscar Wilde**

- **Regardless of the hike in February** the **RBA** has warned that it **need not wait too long for the next hike**.
- Certainly, that it is **not committed to quarterly reassessments**.
- **In fact**, declared that **"March ... will be a "live meeting"**, with the broader message being, *"every meeting is live"*.
- Understandably, the **RBA is "actively looking whether or not ... to move more quickly"**, as compelled by **elevated inflation**.
- But crucially, the **RBA is vigilant** and notably **"well positioned"** for a **policy response to potential inflationary shocks from the Middle East conflict**.
- **Market-implied probability of a March hike** has **jumped to over 27% now** from a far more restrained ~11% last Friday.
- The bottom-line for markets is that **patience in hiking rates is not absolute**, *liable to be compromised by oil price shocks from Iran risks*.
- Against this **overtly hawkish RBA bias**, **AUD could be relatively more buoyant** (less beaten down against the USD).
- Especially if gas prices surge alongside oil, given AUD's **positive terms of trade effects from higher gas prices**.

## FX OUTLOOK

FX	Close (NY)	Open*	Daily %Δ	Forecast
USDJPY	157.39	157.26	+0.86%	155.50 - 159.30
EURUSD	1.1688	1.1696	▼1.05%	1.1600 - 1.1800
GBPUSD	1.3407	1.3410	▼0.56%	1.3300 - 1.3550
AUDUSD	0.7093	0.7105	▼0.35%	0.7050 - 0.7180
DXY	98.4	--	+0.79%	97.5 - 99.2
USDCNY	6.9051	--	+0.62%	6.8500 - 6.9500
USDCNH	6.9010	6.8942	+0.56%	6.8500 - 6.9500
USDHKD	7.8213	7.8215	▼0.03%	7.7800 - 7.8500
USDSGD	1.2740	1.2726	+0.70%	1.2600 - 1.2800
USDKRW	1461	1440	+0.00%	1430 - 1455
USDTWD	31.44	--	+0.69%	31.20 - 31.90
USDINR	91.48	--	+0.55%	90.90 - 93.00
USDIDR	16861	--	+0.54%	16750 - 16970
USDMYR	3.927	3.928	+0.89%	3.900 - 3.960
USDPHP	58.18	--	+0.89%	57.70 - 59.00
USDTHB	31.45	31.35	+1.17%	31.1 - 31.6
USDVND	26171	26188	+0.43%	26000 - 26400

\*Open is as at 8am HKT/SGT.

## MARKET MOVES

Bond Yields	2Y Close	10Y Close	2Y Δ (bps)	10Y Δ (bps)
UST (US)	3.476	4.036	9.8	9.5
JGB (JP)	1.221	2.077	-0.3	-3.4
Bunds (GE)	2.085	2.711	9.0	6.8
Gilts (UK)	3.635	4.373	11.9	14.1
AGB (AU)	4.161	4.633	-2.5	-1.8
SGS (SG)	1.340	1.899	-1.9	-3.2
CGB (CN)	1.351	1.799	-0.9	-0.9
KGB (KR)	2.826	3.450	0.0	0.0
SDL (IN)	5.613	6.675	-1.0	1.5

G3 Equities	Close	Net Chg	Daily %Δ
S&P500 (US)	6881.62	2.74	+0.04%
Nasdaq (US)	22748.86	80.65	+0.36%
DJIA (US)	48904.78	-73.14	▼0.15%
N225 (JP)	58057.24	-793.03	▼1.35%
STOXX50 (EU)	5986.93	-151.48	▼2.47%

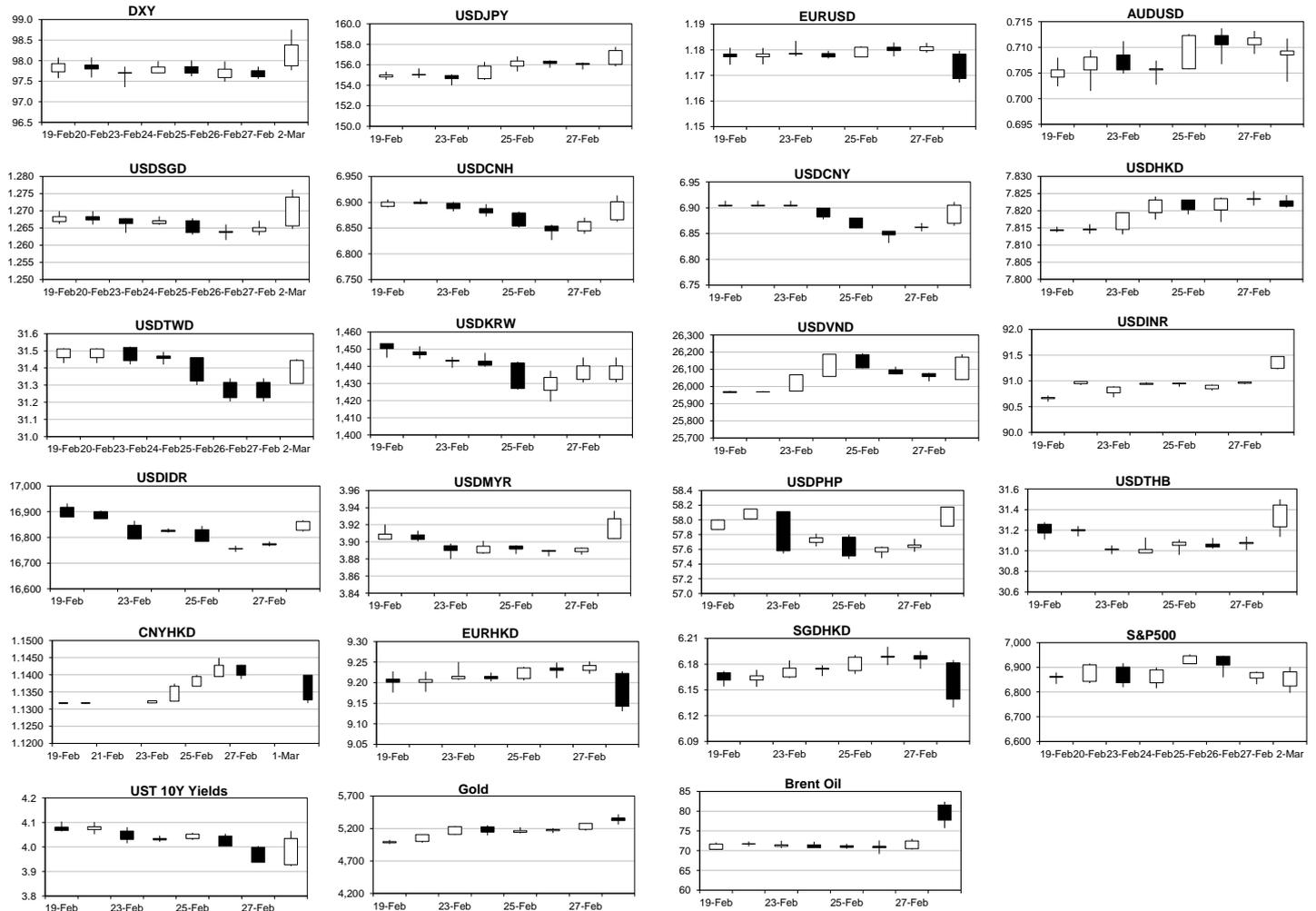
Commodity	Close	Net Chg	Daily %Δ
COPPER (LME)	13,033.99	-260.04	▼1.96%
IRON ORE (CN)	100.07	1.61	+1.02%
GOLD	5,322.12	43.19	+0.82%
SILVER	89.38	0.10	+3.53%
OIL (BRENT)	77.74	5.26	+7.26%
OIL (WTI)	71.23	4.21	+6.28%
NATURAL GAS	2.96	-4.41	▼4.70%

Cross FX	Close (NY)	Open*	Daily %Δ
EUR/JPY	183.97	183.93	▼0.21%
GBP/JPY	211.057	210.871	+0.31%
JPY/SGD (100yen)	0.8095	0.8093	▼0.12%
JPY/HKD (100yen)	4.9704	4.9738	▼0.85%
CNH/JPY	22.792	22.774	+0.25%
CNH/HKD	1.1327	1.1327	▼0.63%
EUR/GBP	0.87187	0.87222	▼0.52%
AUD/NZD	1.1938	1.1945	+0.59%
EUR/CNH	8.066	8.0635	▼0.52%
GBP/CNH	9.2519	9.2448	▼0.02%
CNY/HKD	1.1327	1.1327	▼0.63%
EUR/HKD	9.1426	9.148	▼1.07%
SGD/HKD	6.1392	6.1461	▼0.75%

\*Open is as at 8am HKT/SGT.

Asia Equities	Close	Net Chg	Daily %Δ
ASX (AU)	5780.25	-71.23	▼1.22%
STI (SG)	4890.86	-104.21	▼2.09%
SHCOMP (CN)	4182.591	19.71	+0.47%
SZCOMP (CN)	2744.861	-18.72	▼0.68%
HSI (HK)	26059.85	-570.69	▼2.14%
SENSEX (IN)	80238.85	-1048.34	▼1.29%
JSE (ID)	8016.833	-218.65	▼2.65%
KLSE (MY)	1700.21	-16.40	▼0.96%
PSE (PH)	6426.83	-184.41	▼2.79%
SET (TH)	1466.51	-61.75	▼4.04%
VNINDEX (VN)	1846.1	-0.02	▼1.82%

## CHARTS



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