

Monthly Market Snapshot

March 2023

The Monthly Market Snapshot publication provides commentary on the global economy and the performance of financial markets.

Market commentary

In March, global stocks and bonds both produced positive returns. The collapse of Silicon Valley Bank (SVB) and broader concerns around the financial sector initially caused a sell-off in equities. In addition, market pricing reacted with an expectation of lower future interest rates, with a fall in bond yields producing positive return for bonds. The fall in bond yields supported the valuations of equities, countering the loss in bank shares, generating a positive return overall for global stocks.

In the US, consumer sentiment remains weak, and spending growth has slowed as households draw down on their savings. The collapse of SVB and broader concerns around the financial sector hit bank shares hard, but the joint actions of the US Treasury and Federal Reserve to protect depositors provided support to markets. In combination with the fall in bond yields this led to a rally in stocks, producing particularly large positive returns for US Technology stocks.

Within the Euro zone, economic activity has been less negative than previously forecast. The Purchasing Managers' Index (PMI) services sectors survey was positive although the manufacturing sector survey continued to struggle. Consumer sentiment remains weak but has stopped deteriorating and in some cases there is a small improvement. Business confidence in Europe has experienced a big improvement. On the inflation front, even though headline CPI has declined, core inflation that excludes food and energy remains elevated. The European banking sector saw stresses at Credit Suisse, leading to its takeover by UBS in a deal supported by the Swiss National Bank. Despite the banking sector turmoil, European stocks and the Euro saw moderate gains in March, given the improved economic outlook.

Inflation is generally moderating but is still above central banks' target ranges. The decline in inflation is driven by lower energy costs, easing supply chain issues, and goods disinflation, but the current main driver of inflation, shelter costs, remains high. Central banks have continued to tighten monetary policy in response to high inflation. In light of the slowing inflation data and the upheaval involving SVB, the Federal Reserve increased the interest rate by a modest 25 basis points (bps) in March. The Bank of England (BoE) also implemented a 25bps hike to its policy rate

while keeping the possibility of further tightening on the table. Meanwhile, as economic growth proved more positive than anticipated and core inflation remained persistently high, the European Central Bank (ECB) raised its deposit rate by 50bps in March.

Following China's abrupt exit from its COVID policies, economic activity appears to be recovering rapidly, supporting the outperformance of EM equities. Business surveys have also been consistent with a recovery. Both services and manufacturing PMIs are back in expansionary territory. Among other factors, high-frequency data suggests early signs of stabilising in property demand with a meaningful jump in the property price data. However, household mortgage borrowing is still in contraction despite low rates, and although prices and sales may be turning, they are still weak. The current policy environment largely maintains its pro-growth stance from last year, but uncertainty lies ahead as to whether new significant stimulus measures will be seen.

The Australian stock market ended March slightly lower than where it started. Although no major negative issues directly impacted Australian Banks in the month, performance was negatively impacted by the overall negative sentiment to the Financials sector. While, the Resources sector produced strong positive returns in March, even though Energy continued to have falling prices.

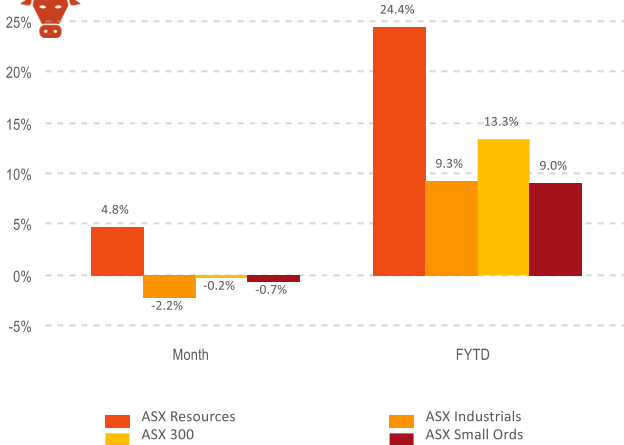
The AUD depreciated against major currencies, given general increased risk concerns globally, linked to the stresses in the banking sector.

Listed property produced losses in March, as even though bond yields fell, emerging stresses in commercial property and tightening lending conditions weighed on performance. However, Australian residential property prices have gone up nationally for first time in 11 months in March. Tight rental market, the return of overseas migrants and a shortage of new homes listed on the market are the factors offsetting the downward pressure of higher interest rates.

March 2023



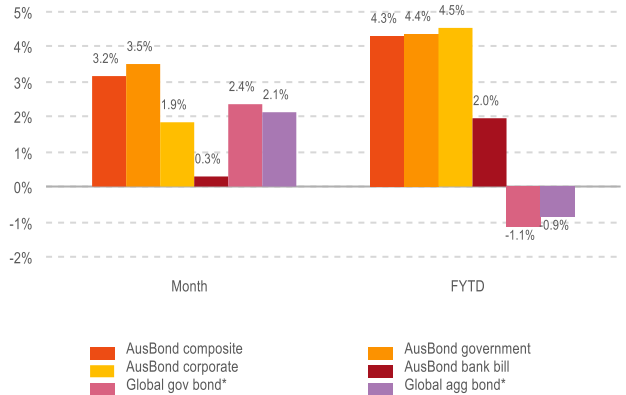
Australian equities



Source: Refinitiv Datastream



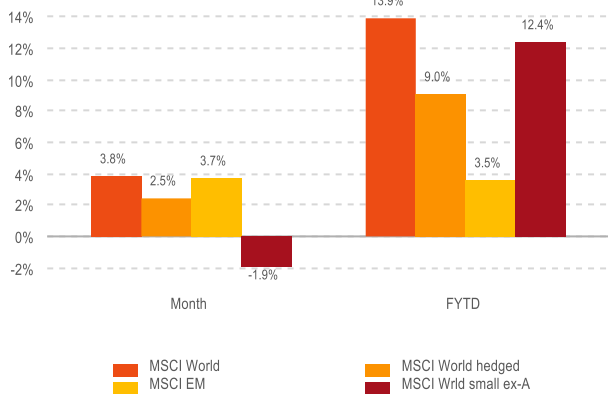
Fixed income



Source: Refinitiv Datastream



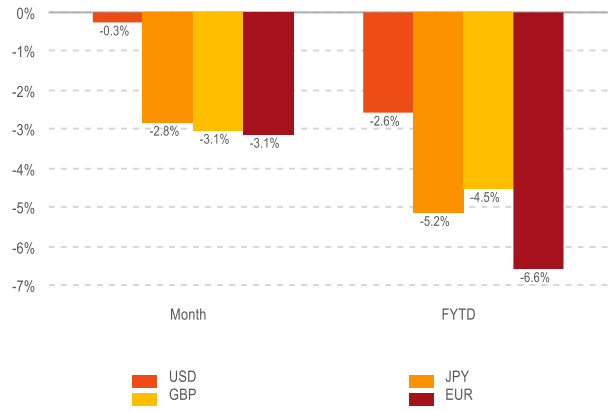
International equities (\$A)



Source: Refinitiv Datastream



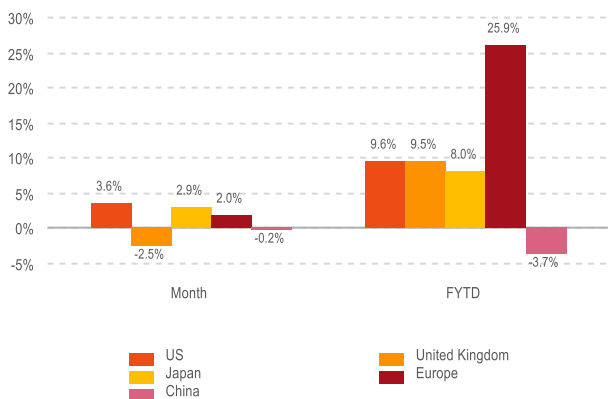
Australian dollar



Source: Refinitiv Datastream



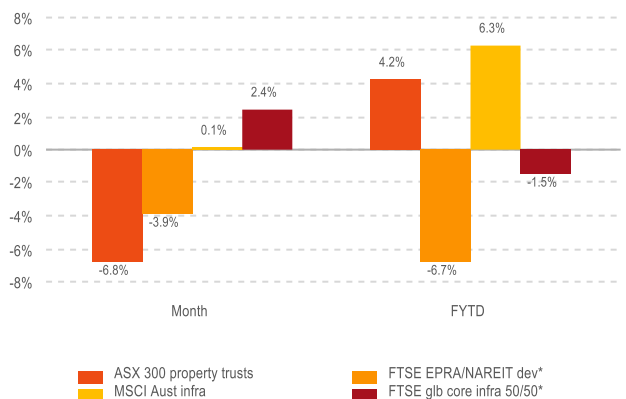
International equities



Source: Refinitiv Datastream











Real assets



Source: Refinitiv Datastream *Hedged A\$

Details of the indices are in the table on the next page

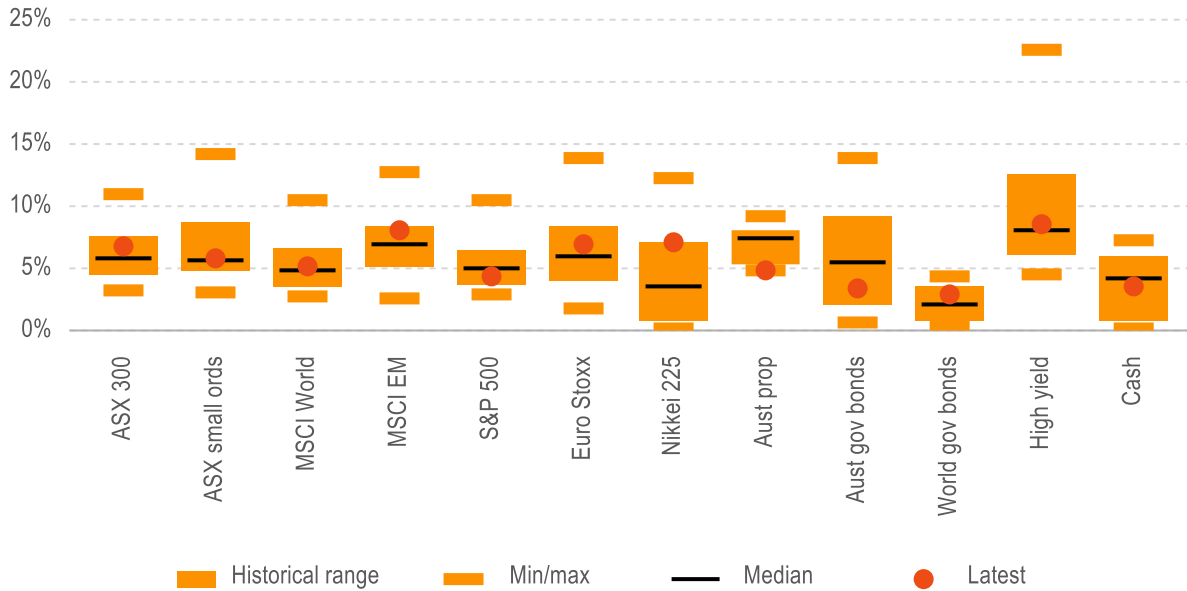
March 2023

	Index Value	Month	3 Months	FYTD	1 Year	5 Yr p.a.	
Australian Equities							
	S&P/ASX 300 Accum. Index	7,133	-0.2%	3.3%	13.3%	-0.6%	8.6%
	S&P/ASX 300 Accum. Industrials Index	10,453	-2.2%	2.3%	9.3%	-3.2%	6.6%
	S&P/ASX 300 Accum. Resources Index	6,123	4.8%	5.9%	24.4%	6.6%	15.7%
	ASX Small Caps Accum. Index	2,823	-0.7%	1.9%	9.0%	-13.2%	3.9%
International Equities							
	MSCI World Index (\$A)	4,668	3.8%	9.1%	13.9%	4.3%	11.0%
	MSCI World Index (Hedged \$A)	3,796	2.5%	7.1%	9.0%	-7.4%	7.6%
	MSCI Emerging Markets Index (\$A)	1,068	3.7%	5.3%	3.5%	0.1%	1.8%
	MSCI World ex-Aus Small Cap Index (\$A)	577	-1.9%	5.8%	12.4%	2.1%	7.3%
	US (S&P 500 Index in USD)*	4,109	3.5%	7.0%	8.6%	-9.3%	9.2%
	US Tech (NASDAQ Index in USD)*	12,222	6.7%	16.8%	10.8%	-14.1%	11.6%
	United Kingdom (FTSE 100 Index in GBP)*	7,632	-3.1%	2.4%	6.5%	1.5%	1.6%
	Japan (Nikkei 225 Index in JPY)*	28,041	2.2%	7.5%	6.2%	0.8%	5.5%
	Europe (Stoxx 50 Index in EUR)*	4,315	1.8%	13.7%	24.9%	10.6%	5.1%
	China (Shanghai Composite Index in CNY)*	3,273	-0.2%	5.9%	-3.7%	0.6%	0.6%
AUD versus ...							
	USD	0.67	-0.3%	-0.9%	-2.6%	-10.3%	-2.6%
	JPY	89.10	-2.8%	-0.9%	-5.2%	-2.6%	1.8%
	GBP	0.54	-3.1%	-3.7%	-4.5%	-5.1%	-0.1%
	EUR	0.62	-3.1%	-3.2%	-6.6%	-8.2%	-0.2%
Real Assets							
	ASX 300 Listed Property Trusts Accum. Index	1,341	-6.8%	0.3%	4.2%	-14.0%	5.2%
	FTSE EPRA / NAREIT Dev. Index (Hedged \$A)	1,433	-3.9%	0.1%	-6.7%	-21.3%	0.7%
	MSCI Australia Infrastructure	1,306	0.1%	6.1%	6.3%	9.4%	7.6%
	FTSE Global Core Infra 50/50 Index (Hedged \$A)	2,358	2.4%	-0.2%	-1.5%	-6.7%	6.6%
Oil and Commodities							
	Crude Oil (US\$/bbl)	75.7	-1.7%	-5.7%	-29.7%	-24.5%	3.1%
	Copper Spot (US\$/tonne)	9,004	0.6%	7.6%	9.1%	-13.2%	6.2%
	Gold Spot (US\$/ounce)	1,977	8.2%	8.9%	9.4%	1.8%	8.4%
Australian Fixed Interest							
	Bloomberg AusBond Composite Index	9,814	3.2%	4.6%	4.3%	0.3%	1.3%
	Bloomberg AusBond Government Index	10,173	3.5%	4.9%	4.4%	0.4%	1.3%
	Bloomberg AusBond Corporate Index	10,536	1.9%	3.4%	4.5%	1.1%	2.0%
	Bloomberg AusBond Bank Bill Index	9,208	0.3%	0.8%	2.0%	2.0%	1.1%
Global Fixed Interest							
	Bloomberg Global Gov. Bond Index (Hedge \$A)	340	2.4%	2.6%	-1.1%	-5.2%	0.2%
	Bloomberg Global Agg. Bond Index (Hedge \$A)	984	2.1%	2.4%	-0.9%	-5.5%	0.3%
Fixed Income (yields) as at ...							
		Mar 2023	Feb 2023	Dec 2022	Jun 2022	Mar 2022	Mar 2018
	Australia Bank Bill	3.63	3.38	3.01	1.14	0.01	1.83
	Australia 10-Year Government Bond	3.31	3.87	4.04	3.69	2.79	2.59
	US 10-Year Government Bond	3.48	3.91	3.83	2.97	2.32	2.74
	UK 10-Year Government Bond	3.49	3.82	3.67	2.24	1.61	1.35
	Germany 10-Year Government Bond	2.31	2.63	2.56	1.37	0.55	0.49
	Japan 10-Year Government Bond	0.35	0.50	0.42	0.23	0.21	0.05

*Price Index

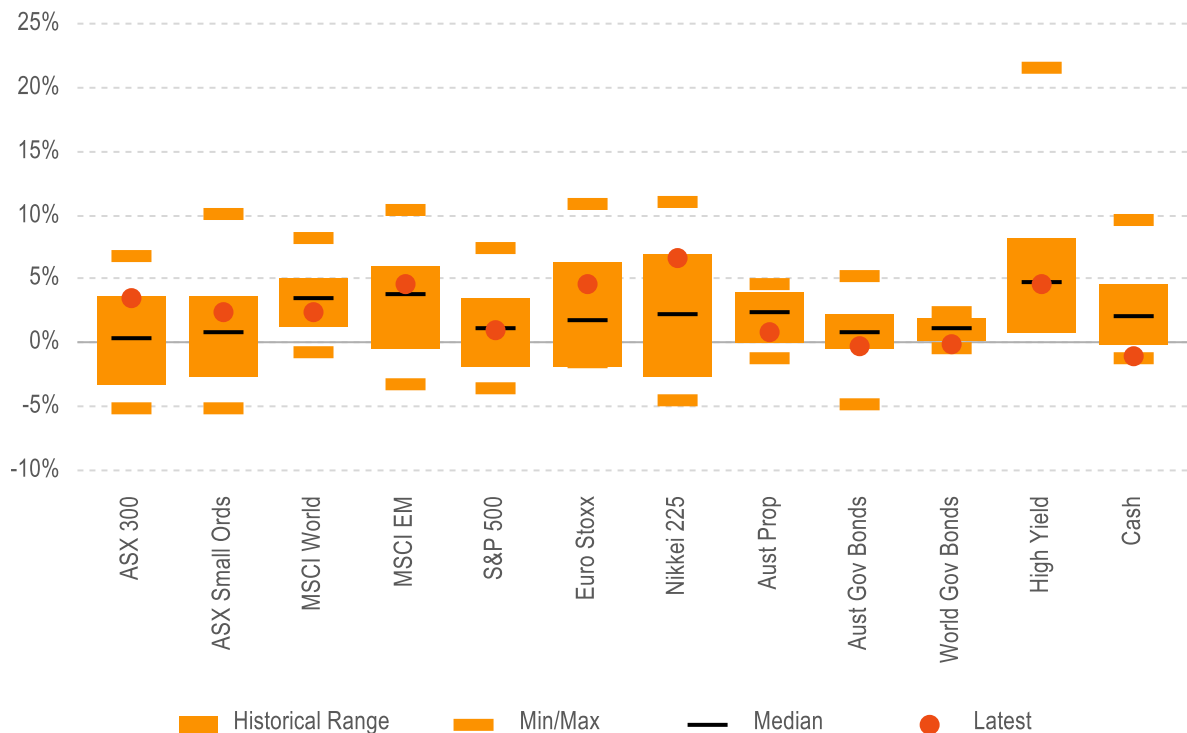
Asset class yields relative to history

Current yields (equities earnings)



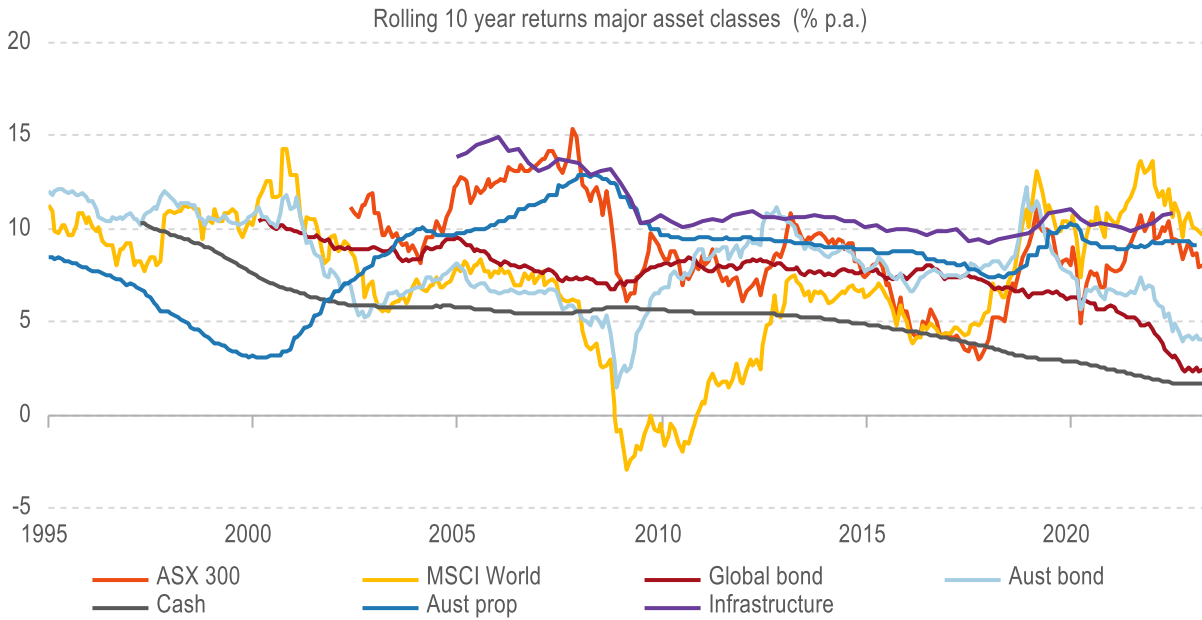
Source: Refinitiv Datastream

Relative yields (vs bond or cash yield)

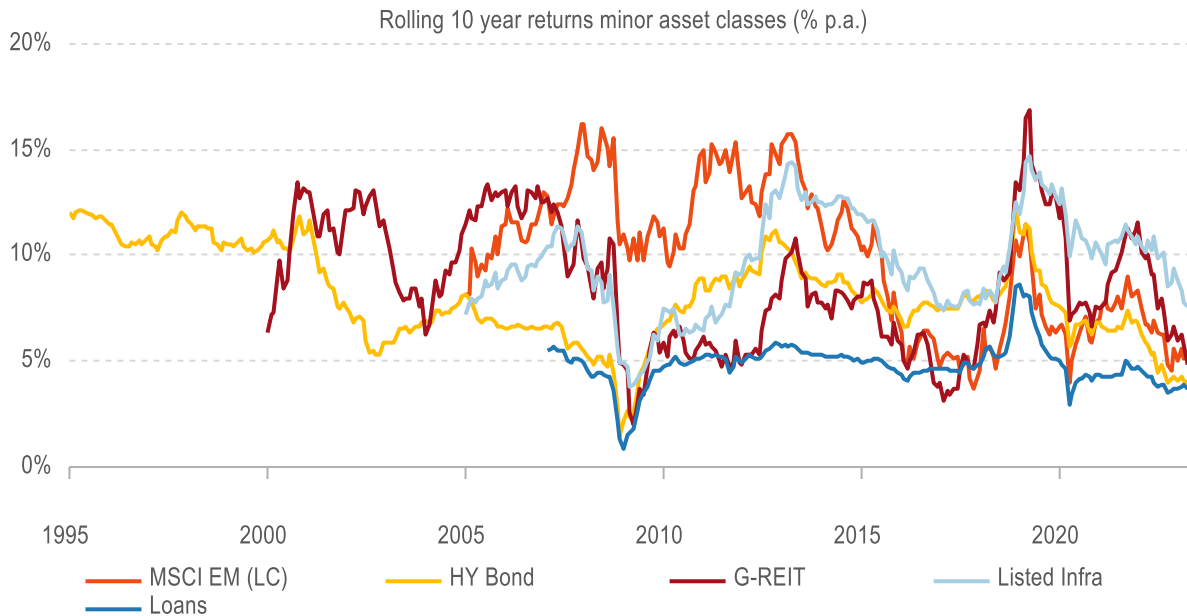


Source: Refinitiv Datastream

Asset class long-term returns

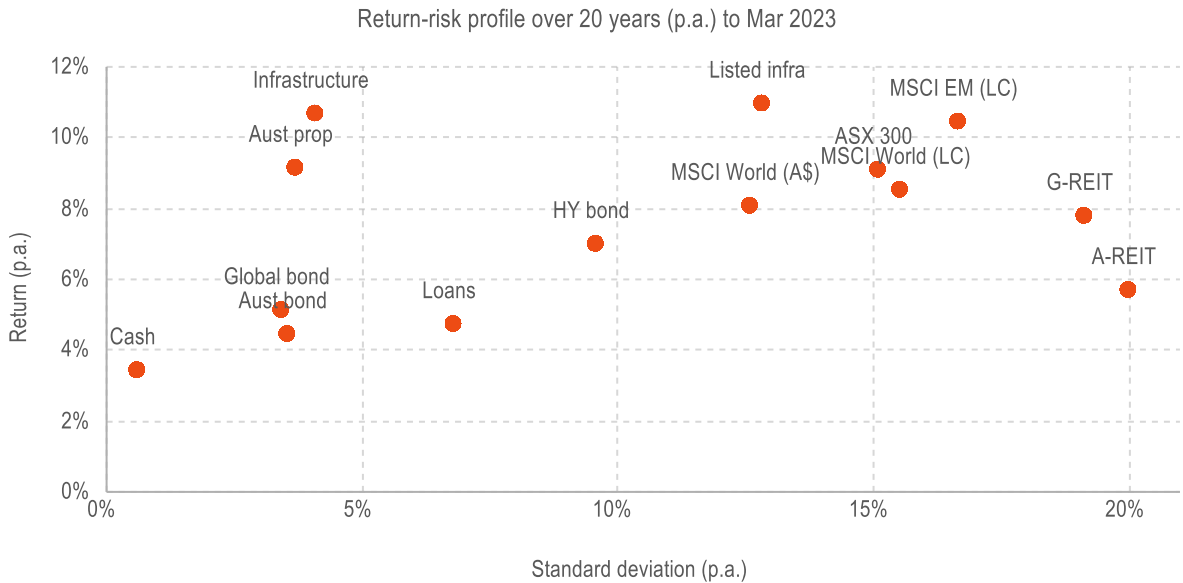
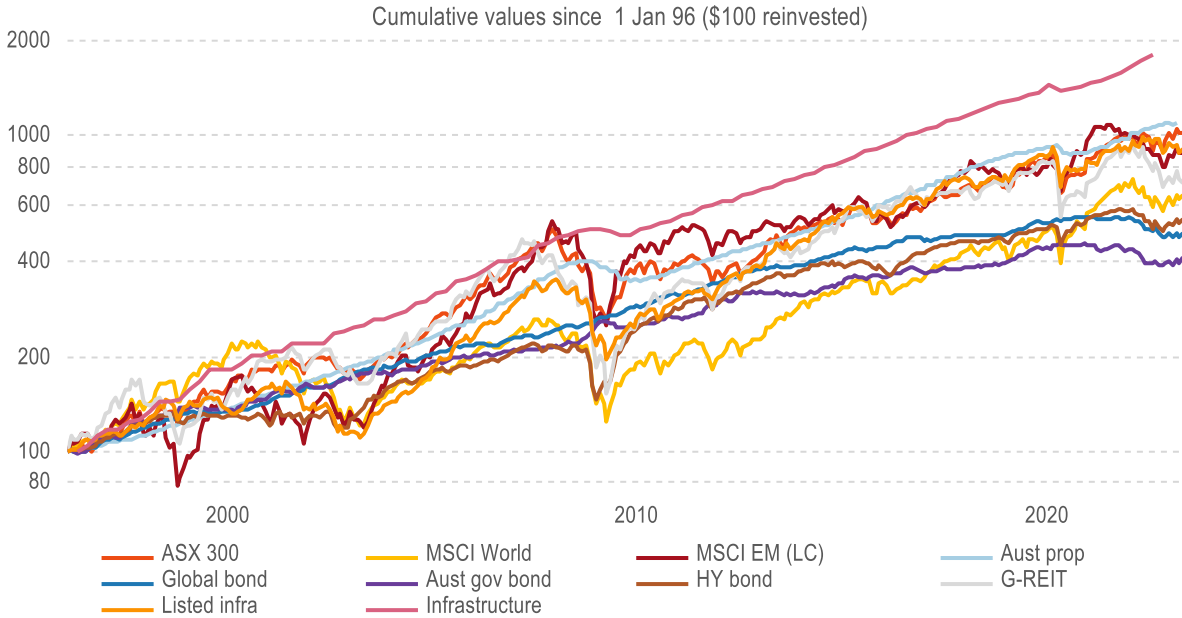


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Asset class long-term returns





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