Monthly Market Snapshot

March 2025

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

Frontier Advisors

Market commentary

March 2025 marked a turning point in market tone, as investor sentiment experienced a dramatic shift from optimism early in the year to heightened fear in late March. Key global risks that drove the shift included Trump's policy uncertainty, lingering inflation pressures, uncertainty around central bank actions, and geopolitical developments.

Global equities faced significant volatility throughout March and closed the month with a negative return. Uncertainty around Trump policy shifts drove the risk-off sentiment. Meanwhile, the US technology sector, which had been the main driver of recent market gains, underwent a notable revaluation, leading to a sharp market correction. Investor confidence was rattled by growing recession concerns amid stubborn inflation. The US Federal Reserve kept the interest rate unchanged during its March meeting, appearing prepared to adopt a more accommodative monetary policy should labour condition falters, albeit still in a reactive manner.

European equities also produced negative return, impacted by the tariff shock. Hopes for a potential ceasefire in the Russia-Ukraine conflict lifted sentiment across continental markets early in the month, before the announcement of auto tariffs and rumours of a reciprocal tariff in late March triggered a sharp sell-off across European markets and parts of Asia. The European Central Bank (ECB) lowered interest rate for the sixth time in March, sticking to its easing plan in the face of economic upheaval from an unfolding trade war and new plans to boost Europe's military spending.

Australian equities declined in March, as global volatility and U.S. tariff concerns weighed on sentiment. Industrial stocks led the fall, while resources sector posted small gains. Brief optimism around potential RBA rate cuts faded quickly as RBA held the interest rate unchanged in the March meeting.

Emerging market equities outperformed their U.S. counterparts in March, with Chinese equities staging a sharp rally. The surge was driven by renewed optimism in the domestic technology sector, particularly after excitement around DeepSeek, an AI development that symbolised China's push in high-tech innovation. March also marked the conclusion of the Two Sessions political meetings, which offered no major new stimulus domestically.

Government bond yields have been particularly volatile. Yields had been on an upward path since September. However, recently yields have come back as markets started pricing lower future interest rates. Falling US Treasury yields supported global bond returns over the month.

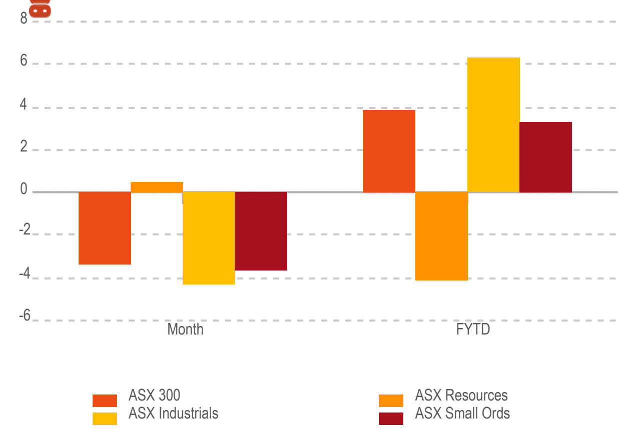
Australian Dollar (AUD) has been on a declining path since Trump's election. The US Dollar (USD) was on a continued strong upward trend but it has fallen recently as the interest rate differential has narrowed. AUD strengthened mildly against USD while weakened sharply against Euro in March.

Commodities produced large positive returns. Gold has been on an upward trend since the beginning of 2025, continuing to break every record due to the uncertainty in global financial markets.

Listed properties declined, aligned with the stock market, impacted by the global risk-off sentiment. Office property fundamentals in aggregate continue to deteriorate, although there are some pockets of typically high-quality assets that are performing relatively better. Listed infrastructure produced small positive returns on the expectation of further rate cuts.

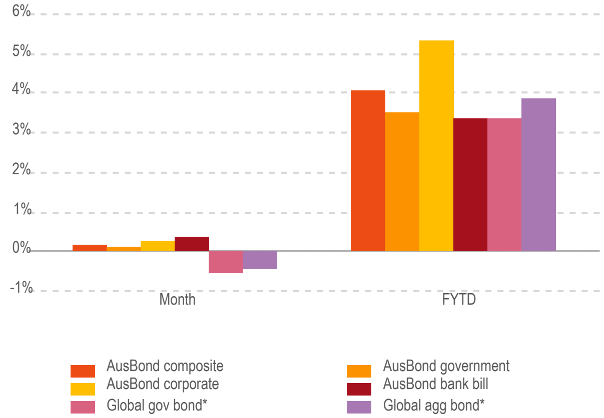
March 2025

Australian equities



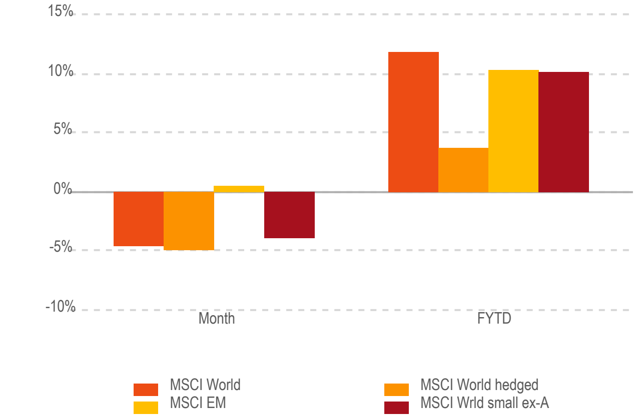
Source: LSEG Datastream

Fixed income



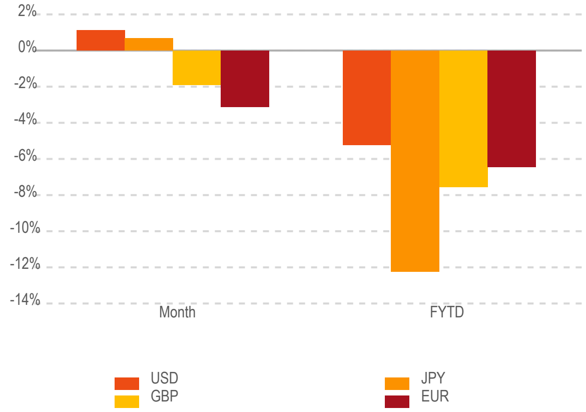
Source: LSEG Datastream

International equities ($A)



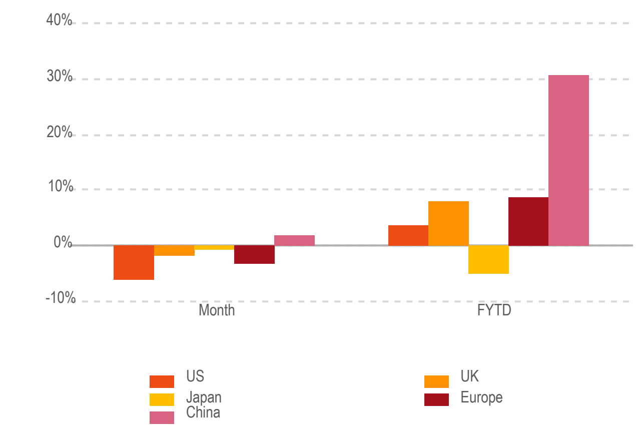
Source: LSEG Datastream

Australian dollar



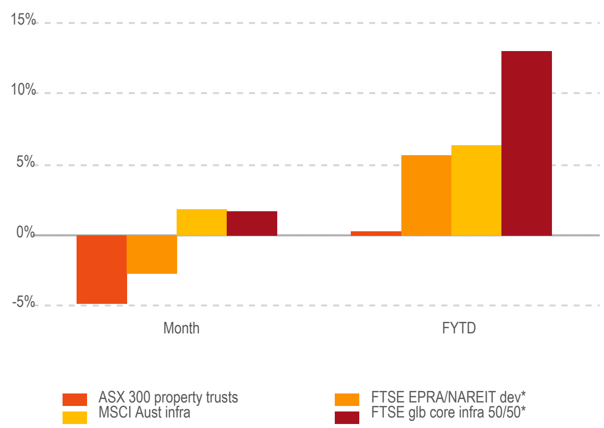
Source: LSEG Datastream

International equities



Source: LSEG Datastream

Real assets



Source: LSEG Datastream *Hedged A$

Frontier Advisors

Frontier Advisors

Frontier Level 17, 130 Lonsdale Street
Melbourne, Victoria 3000
Tel: +61 3 8648 4300

www.frontieradvisors.com.au

@frontier_adv

ACN 074 287 406 AFS Licence No. 241266