


MONTHLY MARKET REPORT SUMMARY: MARCH 2026



March 2026 was dominated by the rapid escalation of conflict in the Middle East, culminating in the effective closure of the Strait of Hormuz and a surge in oil prices. This shock triggered a broad “risk-off” move across global markets, with investors sharply reassessing inflation trajectories and central bank policy paths. Both shares and bonds sold off as markets replaced expectations of rate cuts with the possibility of policy tightening, particularly across the UK and Europe. Australian shares fell sharply as rising real bond yields, weak sentiment and renewed domestic inflation concerns weighed on most sectors, while the AUD—initially buoyed by rising rate differentials—fell during the month. In contrast, the USD strengthened as investors sought geopolitical safe-havens, and energy outperformed globally on higher oil prices.



KEY SECTOR TAKEAWAYS

GLOBAL DEVELOPED SHARES



Unhedged global shares fell 2.5% in AUD terms in March, bringing 12-months returns to 8.1%, while hedged global shares fell 5.8% in March and returned 17.8% over the past 12 months. Markets sold off sharply as oil prices surged and investors priced in higher inflation and tighter policy settings across major economies. Japan and Europe experienced the largest declines given their heavy reliance on imported oil, while the US proved relatively resilient due to its stronger growth and energy exporter status. Energy was the standout performer, rising 11.6%, while materials and industrials fell sharply on stagflation concerns.

AUSTRALIAN SHARES



Australian shares fell 7.2% in March, bringing 12-month returns to 11.7%. Rising domestic inflation and the RBA's second rate hike of the cycle weighed heavily on sentiment. Materials declined sharply following a strong start to the year, while IT and REITs were impacted by rising real bond yields and AI-related disruption concerns. Only consumer staples, insurance and energy posted gains. Mid and small caps underperformed large caps due to lower exposure to banks and resources and their higher sensitivity to rising rates.



KEY SECTOR TAKEAWAYS

EMERGING MARKETS



Emerging market equities fell 9.5% in AUD terms in March, bringing 12-month returns to 17.9%. The sell-off was driven by reduced expectations of global rate cuts, a strengthening USD and the sharp rise in oil prices, which disproportionately affect major EM oil importers. Korea fell 25.0% in USD terms, India declined almost 15.0%, while China fell 7.7%. Despite the near-term pressure, the medium-term EM outlook remains supported by solid earnings expectations, some AI tailwinds and improving structural fundamentals.

PROPERTY AND INFRASTRUCTURE



Hedged global listed property fell 8.3% in March, bringing 12-month returns to 7.8%. Hedged global listed infrastructure fell 3.1%, bringing 12-month returns to 16.0%. Australian listed property fell 11.2%, bringing 12-month returns to -2.3%. Gains made earlier in the year unwound rapidly as rising oil prices pushed bond yields higher and markets reassessed the global cash rate outlook. Rising real yields offset any perceived inflation-hedging benefits within real asset sectors.



KEY SECTOR TAKEAWAYS

GLOBAL FIXED INTEREST



Global government bonds sold off as markets factored in higher near-term inflation and an increased probability of central bank tightening. US 10-year yields finished the month at 4.30%, yields in Europe and Japan also moved sharply higher, while credit spreads widened, particularly in high yield.

AUSTRALIAN FIXED INTEREST



Australian bonds declined by 1.4% in March, bringing 12-month returns to 1.5%. With the market revising its cash rate expectations from 4.25% to 4.75%, the 10-year yield rose significantly during March, reaching 5.15%.

COMMODITIES



Brent crude surged 63.0% to US\$118.3/bbl as the Strait of Hormuz—transiting 20% of the world's oil supply—was effectively closed. Gold fell 18.0% from early-March highs before partially recovering to end at US\$4,667/oz, weighed down by rising bond yields and a stronger USD. Iron ore rose to US\$106/t on solid Chinese growth indicators, while copper declined nearly 10.0% after a strong earlier rally.



KEY SECTOR TAKEAWAYS

CURRENCIES

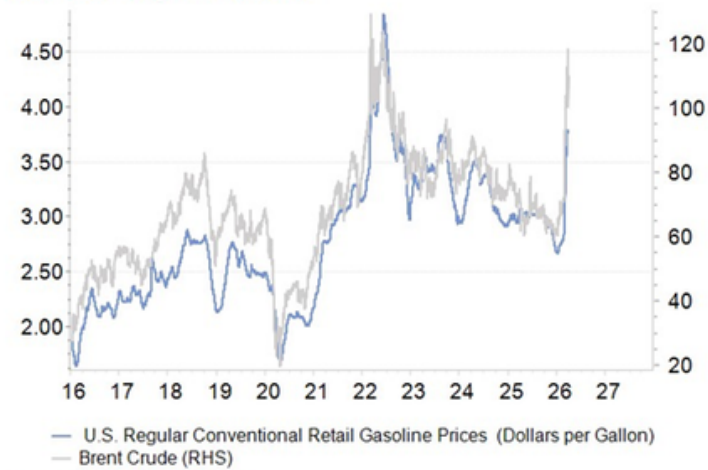


The AUD fell from above US\$0.71 to below US\$0.69 by month end, despite rising interest rate differentials earlier in March. The USD appreciated around 2.0%, supported by safe-haven demand and a shift in expectations towards tighter Fed policy.



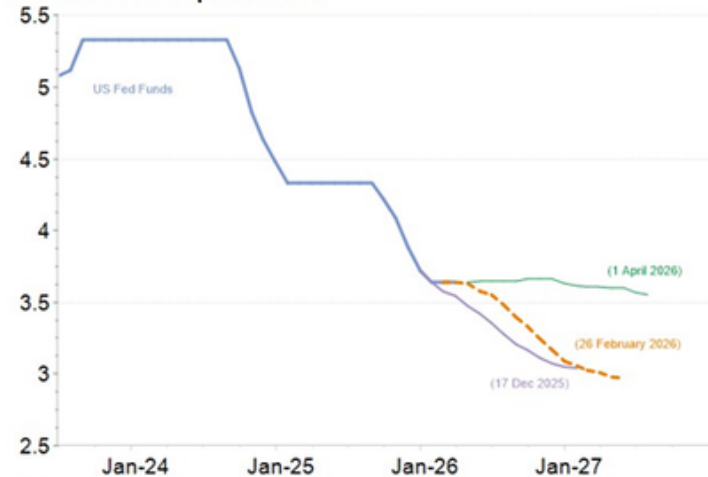
ECONOMIC HIGHLIGHTS

US Gasoline prices and Oil



Source: IRESS, using proxy updates

US Fed funds expectations



Source: CME, St Louis Fed

UNITED STATES: INFLATION EXPECTATIONS RISE, POLICY SHIFTS



The surge in oil prices lifted input cost indicators, with the ISM prices-paid index rising above 70—signalling higher inflation in coming months. Markets significantly revised their expectations for US interest rates, removing prior assumptions of multiple cuts and instead pricing the possibility of a hike later in 2026. Despite the FOMC dot plot still projecting one more cut, market pricing shifted meaningfully more hawkish through March.



ECONOMIC HIGHLIGHTS

AUSTRALIA: CAPACITY CONSTRAINTS AND INFLATION PRESSURES



Australian Cash Rate expectations



The RBA raised the cash rate to 4.1%, citing persistent domestic inflation linked to an economy operating above capacity. The labour market added 48,900 jobs in February, while unemployment fell to 4.3%. Capacity utilisation remained high, reinforcing concerns that inflation could accelerate further if demand is not slowed. Markets now expect at least two additional RBA hikes in 2026.



ASSET CLASS RETURNS

	Month Return (%)	1 Year Return (%)	3 Year Return (p.a %)	5 Year Return (p.a %)
Australian Cash	0.3	3.8	4.2	2.9
Australian Bonds	-1.4	1.5	2.1	0.2
Global Bonds (Hedged)	-1.9	3.0	3.1	-0.1
Australian Shares	-7.2	11.7	9.5	8.6
Global Shares (Unhedged)	-2.5	8.1	16.0	12.7
Global Shares (Hedged)	-5.8	17.8	16.3	10.0
Emerging Markets	-9.5	17.9	14.0	5.9
Global Infrastructure (Hedged)	-3.1	16.0	10.4	7.3
Australian Listed Property	-11.2	-2.3	8.1	5.1
Global Listed Property (Hedged)	-8.3	7.8	6.3	1.8
AUD / USD	-3.9	9.0	0.7	-2.1

GLOBAL SECTOR RETURNS

	Month Return (%)	1 Year Return (%)	3 Year Return (p.a %)	5 Year Return (p.a %)
Consumer Staples	-8.9	6.7	5.7	5.5
Consumer Discretionary	-7.9	7.8	10.9	3.8
Energy	11.6	40.9	19.1	22.4
Financials	-6.2	12.7	21.4	12.3
Health Care	-8.3	4.2	5.3	5.3
Industrials	-10.5	25.2	18.6	10.9
Information Tech	-4.6	27.6	23.6	15.2
Materials	-10.3	30.8	11.6	7.7
Telecom	-7.2	28.7	26.6	10.1
Utilities	-3.9	26.7	15.2	9.9



AUSTRALIAN SECTOR RETURNS

	Month Return (%)	1 Year Return (%)	3 Year Return (p.a %)	5 Year Return (p.a %)
Consumer Staples	1.7	10.4	1.3	3.0
Consumer Discretionary	-9.1	-9.7	5.9	3.4
Energy	19.2	48.9	8.7	12.9
Financials	-6.6	15.5	19.7	13.6
Health Care	-6.2	-30.4	-11.9	-5.9
Industrials	-8.1	7.6	10.9	9.9
Information Tech	-12.9	-28.0	1.6	-3.6
Materials	-13.2	41.2	9.5	12.0
Telecom	-0.8	7.8	7.5	8.1
Utilities	4.9	22.2	14.1	17.1



CONCLUSION

- The Middle East conflict drove a sharp rise in oil prices and triggered broad risk-off sentiment across global markets.
- Global developed shares fell, with Japan and Europe most affected due to oil import reliance, while energy outperformed strongly.
- Australian shares declined alongside rising domestic inflation concerns and higher bond yields.
- Bonds sold off globally as markets priced in rising inflation and potential rate hikes across major central banks.
- Brent crude surged, while gold fell sharply due to higher yields and a stronger USD.
- The AUD weakened late in the month as geopolitical risks escalated, and global growth expectations softened.

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