


MONTHLY MARKET REPORT SUMMARY: MARCH 2025



Global share markets experienced a downturn in March, driven by escalating US trade policy concerns and heightened recession risks. Sweeping US tariffs and retaliatory measures sparked market volatility, while softer domestic inflation supported expectations for further RBA easing. Emerging markets initially showed resilience but later faced headwinds from expanding US tariffs.

KEY SECTOR TAKEAWAYS

GLOBAL DEVELOPED SHARES



Global developed shares tumbled by 4.7% in AUD terms in March due to uncertainty over US trade policies and rising recession risks. Defensive sectors—Energy, Insurance, Utilities, and Healthcare—outperformed, while IT and Consumer Discretionary suffered significant declines as investors became more risk-averse.

AUSTRALIAN SHARES



The Australian share market retreated by 3.4% in March, culminating in a -2.8% quarterly return. Despite encouraging signals from inflation, retail spending, and housing, tariff-related uncertainty weighed on performance. Utilities, Insurance, and Consumer Staples were the best performers.

EMERGING MARKETS



Emerging markets rose 0.8% over the month, underperforming developed shares amid ongoing US tariff concerns. Gains were driven by a surge in Chinese shares in February, despite the impact of new US tariffs.

KEY SECTOR TAKEAWAYS

PROPERTY AND INFRASTRUCTURE



Australian listed property (AREITs) declined by 4.9% over March, primarily due to Goodman Group's significant drop. Global listed property (GREITs) fell by 2.8% in March, while Global Infrastructure advanced 1.6% over the month, assisted by the combination of the decline in real yields and elevated inflation expectations.

GLOBAL FIXED INTEREST



US 10-year bond yields finished the month at 4.23% amid growing stagflation concerns fuelled by higher-than-expected inflation and weak economic growth estimates. At the end of March, Global Bonds had declined 0.4% for the month.

AUSTRALIAN FIXED INTEREST



Australian bonds delivered a positive return of 0.2% in March as markets priced in at least four rate cuts over the next 12 months, reflecting soft domestic inflation and recession concerns.

KEY SECTOR TAKEAWAYS

COMMODITIES



The price of gold surged by 9.3% in March, briefly breaching US\$3000 an ounce following tariff announcements, before easing back. Other commodities showed mixed performance, with copper and oil rising in March but facing downward pressure later in the period due to recession risks and increased oil production plans. Iron ore prices declined by over 4.0% in March.

CURRENCIES



The AUD strengthened against the weaker USD but weakened against other currencies, ending March at 62.5 cents. However, in early April, the AUD plunged below the 60-cent level for the first time since the pandemic amid renewed recession concerns and increased market volatility.

ECONOMIC HIGHLIGHTS

TRUMP AND TARIFFS



The saga of Trump's tariffs intensified in March, culminating in the announcement of sweeping tariffs on most US trading partners in early April. A minimum base tariff of 10.0% was applied across the board, a level directly impacting Australian exports to the US. For China, the implied tariff from the US was calculated at 67.0%, with the US set to reciprocate with a 34.0% tariff on top of existing levies.

AUSTRALIAN INFLATION AND HOUSING MARKET



March brought some positive news on the inflation front in Australia, with February CPI revealing a drop in core inflation to 2.7%, falling within the RBA's target zone of 2-3%. This moderating inflation supported expectations for further RBA easing. Additionally, there were signs of a lift in the Australian housing market during the quarter, with house prices posting modest gains following the February rate cut.

US Average tariff rate on all imports



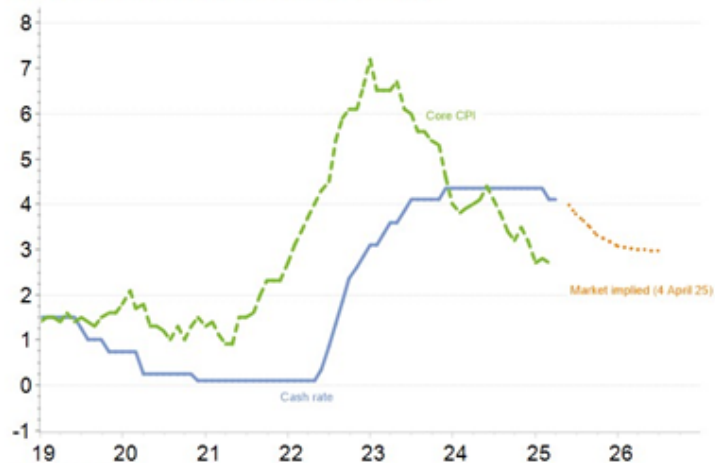
Australia CPI



Source: ABS

ECONOMIC HIGHLIGHTS

RBA Cash rate expectations & Inflation



Source: ASX, RBA

RBA OUTLOOK

Concerns over prospective tariffs and a potential global slowdown further fuelled expectations for additional easing. By the end of March, markets were pricing in a more aggressive RBA cycle, anticipating at least four rate cuts over the next 12 months, pushing the projected cash rate down to 3.0% by mid-2026.

BUDGET FORECASTS

The 2025-26 Federal Budget, released during March, was mildly expansionary with a focus on cost-of-living measures. It included a small tax cut and an extension of energy rebates, amounting to approximately \$35 billion in new spending over the next five years. While the budget forecasts were relatively optimistic, projecting growth to rise to 2.25-2.5% and inflation to remain within the 2-3% target range, the immediate market focus remained on the external risks posed by US trade policies.



ASSET CLASS RETURNS

| | Month Return (%) | 1 Year Return (%) | 3 Year Return (p.a %) | 5 Year Return (p.a %) |
|---------------------------------|------------------------|-------------------------|-----------------------------|-----------------------------|
| Australian Cash | 0.4 | 4.5 | 3.6 | 2.2 |
| Australian Bonds | 0.2 | 3.2 | 1.7 | -0.5 |
| Global Bonds (Hedged) | -0.4 | 3.7 | 0.2 | -0.5 |
| Australian Shares | -3.4 | 2.8 | 5.6 | 13.2 |
| Global Shares (Unhedged) | -4.7 | 12.3 | 14.7 | 15.8 |
| Global Shares (Hedged) | -5.0 | 6.7 | 7.2 | 15.3 |
| Emerging Markets | 0.4 | 13.2 | 8.0 | 7.6 |
| Global Infrastructure (Hedged) | 1.6 | 13.7 | 2.5 | 8.3 |
| Australian Listed Property | -4.9 | -5.4 | 3.6 | 13.6 |
| Global Listed Property (Hedged) | -2.8 | 3.6 | -4.3 | 5.6 |
| AUD / USD | 1.1 | -3.9 | -5.7 | 0.3 |

GLOBAL SECTOR RETURNS

| | Month Return (%) | 1 Year Return (%) | 3 Year Return (p.a %) | 5 Year Return (p.a %) |
|------------------------|------------------------|-------------------------|-----------------------------|-----------------------------|
| Consumer Staples | -0.8 | 8.3 | 3.7 | 8.6 |
| Consumer Discretionary | -8.1 | 2.1 | 3.2 | 15.2 |
| Energy | 4.6 | 3.0 | 9.0 | 24.1 |
| Financials | -2.5 | 21.6 | 12.5 | 20.6 |
| Health Care | -2.3 | -1.1 | 2.6 | 9.9 |
| Industrials | -1.9 | 5.6 | 9.7 | 16.9 |
| Information Tech | -8.9 | 4.2 | 11.4 | 21.7 |
| Materials | -1.9 | -5.0 | -0.7 | 13.8 |
| Telecom | -7.4 | 13.3 | 9.5 | 14.9 |
| Utilities | 2.5 | 19.6 | 4.5 | 9.1 |

AUSTRALIAN SECTOR RETURNS

| | Month Return (%) | 1 Year Return (%) | 3 Year Return (p.a %) | 5 Year Return (p.a %) |
|------------------------|------------------------|-------------------------|-----------------------------|-----------------------------|
| Consumer Staples | -1.4 | -2.2 | -1.2 | 2.8 |
| Consumer Discretionary | -6.2 | 5.5 | 8.5 | 17.9 |
| Energy | -3.0 | -21.9 | -0.6 | 12.2 |
| Financials | -3.9 | 16.1 | 11.9 | 19.1 |
| Health Care | -4.7 | -5.0 | 1.8 | 1.3 |
| Industrials | -2.1 | 11.5 | 10.2 | 12.3 |
| Information Tech | -9.1 | -1.8 | 6.2 | 15.8 |
| Materials | -0.1 | -7.3 | -1.0 | 14.3 |
| Telecom | -3.4 | 6.9 | 5.8 | 13.2 |
| Utilities | 1.5 | 16.1 | 12.2 | 10.5 |

CONCLUSION

- Global share markets experienced a broad decline in March, primarily driven by escalating concerns over US trade policies and recession risks.
- Australian equities also declined over the month, with domestic positives in inflation and housing overshadowed by international uncertainty.
- Emerging markets initially showed resilience but faced headwinds due to new US tariffs.
- Inflation trends in both the US and Australia, along with the evolving landscape of global trade, remained key drivers of market sentiment and expectations for central bank actions.
- A diversified investment approach remains essential to navigating evolving financial markets.

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