# MARKET COMMENTARY – Mar. 2024

**Quarter-End Commentary**

**Overview**

- Strong momentum from Q4 2023 has continued into Q1 2024 for equity markets with US and Japanese markets posting very strong returns over the quarter.
- On the back of one of the best quarters in the last decade in Q4 2023, bond markets pulled back ever so slightly during Q1 2024 on the back of subdued rate cut sentiment, pending data proof-points to help central bank decision making.
- There is continued market expectations are for interest rate cuts in 2024 despite central banks pushing back on the timing of eventual cuts.
- Whilst the "Magnificent 7" continue to dominate global market performance, this was heavily influenced by "Nvidia", consumer discretionary stocks lagged over the quarter.

*Asset class recap of March 2024*

## Global shares

The MSCI World Ex-Australia NR Index returned 10.18% over the quarter in local currency terms, with the 12-month return coming in at 26.38%. In Australian dollar terms, quarterly and annual returns were +14.06% and +28.72%, respectively, as the AUD resurgence continued during Q1 2024 against most major currencies.

The quarter showcased a robust performance across various sectors in local currency terms:

- Communications Services led the way with a +13.38% return.
- Information Technology, Financials, and Industrials followed suit, each producing double-digit returns of +12.81%, +12.03%, and +11.60%, respectively.
- Positive returns were also observed in healthcare (+8.70%), Consumer Disc (+8.15%), and Materials (+5.56%).
- Utilities, however, lagged the global markets etching out a small return of +2.22% throughout the quarter. Whilst Energy turned a negative in Q4 2023 into a strong positive of +10.75% for Q1 2024.

## Australian shares

Australian shares finished the quarter higher, with the S&P/ASX200 accumulation index returning +5.33% for Q1 2024.

Some notable sector returns included Information Technology (+23.62%), A-REIT (+16.16%) and Consumer Discretionary (+13.43%), & Financials (+12.08%). Materials, given the significant weight it holds within the index, the negative return of -6.30% weighed heavily on the Australian market over the quarter.


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Industrials (+6.08%), Energy (+4.42%) and Healthcare (+3.48%), also had positive returns for the quarter. Utilities (+3.39%) and Consumer Staples (+2.05%) were relatively flat, while Materials (-6.30%) and Telecommunications (-0.91%) produced negative returns for the quarter.

### Bonds

Improving news on the global economy caused yields to inch higher, with US 10-year bond yields rising over the quarter from 3.9% to 4.21% providing a headwind for fixed income asset classes. Longer-duration bonds underperformed their short-duration counterparts. High-yield bonds were a standout winner among fixed income, EM debt and Investment Grade assets also outperforming government bonds over the quarter. This increase in yields saw falls in the global benchmark indices.

Key 10-year treasury yields in local currency terms (March 31, 2024): Australia: 4.0%, Global: 4.3%.

### Global property & infrastructure

Domestic listed property had strong positive results alongside global equities while global property fell flat over the quarter.

Key quarterly results (in AUD hedged terms, 31 March 2024): Australian listed property (+16.2%), Global listed property (-0.10%) and Global listed infrastructure: (+2.59%).

### Currencies

Broadly speaking, the US dollar gained value versus most developed- and emerging-market currencies, providing a tailwind for unhedged exposures.

### Important Perspective

Equity markets have kicked off 2024 in style with continued momentum from 2023, with strong performance from US and Japanese equity markets. Market participants continue to ignore comments from central banks that rates cuts are being pushed out further, even as data points to CPI being more stubborn than recently believed. Consensus is that the RBA and other central banks in the developed world are now expected to cut interest rates much later this year or even into 2025.


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More closely to home, the recent ASX reporting season was quite benign, with many companies commenting that key areas of focus being conscious of costs and exercising caution on balance sheets whilst looking for business growth opportunities.

Equity returns were far from uniform across countries. Japanese stocks rose strongly, while U.K. equities eked out a small gain despite a recession announcement. Performance was similarly divergent across emerging markets; Chinese and Brazilian stocks endured losses while India gained.

From a style perspective, growth and value stocks were virtually neck and neck. Technology and communication-services sectors outperformed, while consumer discretionary stocks lagged due in large part to weakness in the automobile industry. Small companies also struggled versus their larger counterparts, although still delivered positive outcomes for investors.

The market's proclivity for mega-cap stocks continued, with the "Magnificent Seven" dominating performance, although this was heavily swayed by Nvidia, which rose more than 80% in the first quarter. Outside of Nvidia, Tesla was down -27% in the quarter—the worst stock in entire S&P 500. Apple was also down 11%, while Google was up 8% but trailed the broad market. Withstanding these changes, market concentration in the very largest stocks has reached a level not seen since the "nifty-fifty" era of the early 1970's.

Turning to bonds, improving news on the global economy caused yields to inch higher, providing a headwind for fixed income asset classes. Longer-duration bonds underperformed their short-duration counterparts. High-yield bonds were a standout winner among fixed income. Broadly speaking, the US dollar gained value versus most developed- and emerging-market currencies, providing a tailwind for unhedged exposures.

Looking ahead, market participants are trying to reconcile a few key developments. On one hand, the market backdrop appears favourable, with sentiment improving and corporate earnings rising. On the other hand, central banks may not pursue rate cuts at the speed many hoped, with valuations edging on expensive across many measures. Taken together, we believe a cautionary optimistic stance is warranted, balancing risk and return drivers while selectively identifying pockets of opportunity.



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