



MARKET COMMENTARY – March 2026

Quarter-End Commentary

Overview

- Many markets pulled back sharply in March, ending the quarter weaker, with Australian and global equities declining as higher energy prices, inflation concerns, and geopolitical risks drove a spike in volatility.
- Energy and commodity exposed assets materially outperformed, while growth-oriented sectors lagged.
- Rising bond yields weighed on fixed income and listed property, reinforcing the challenges for duration sensitive assets in a higher-for-longer rate environment.
- Active asset allocation and diversification remain critical, as markets adjust to a more complex macro backdrop, marked by uncertain policy settings and uneven growth outcomes.

Asset class recap to end of March 2026

Australian shares

Like most equity markets, the Australian equity market has had a challenging start to the year. The S&P/ASX 200 declined 1.6% over the first quarter, with a sharp pullback of 7.1% in March, reflecting heightened volatility and risk aversion due to geopolitical concerns in the Middle East. Sector performance was highly divergent, with energy the standout, rising 36.1% over Q1. In contrast, information technology was the weakest performer, falling 27.2% over the quarter, as higher interest rate expectations and growth concerns weighed heavily on valuations.

Global shares

Global equities also experienced a weak quarter, particularly from an Australian dollar investor perspective. The MSCI ACWI ex Australia Index fell 5.8% in AUD terms over Q1, as equity markets broadly retreated in March.

U.S. equities declined, with the S&P 500 down 4.3% over the quarter, driven by weakness in growth sectors, particularly technology. Outside of the U.S., returns were mixed. Energy and value-oriented markets held up relatively well in an uncertain environment.

Emerging markets were modestly lower for the quarter in AUD terms (-2.8%), despite strong longer-term performance in areas such as Korea and Taiwan, where technology and semiconductor exposure have been well supported. The dispersion in outcomes once again reinforces the benefits of global diversification across regions, sectors and styles.

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Bonds

Bond markets struggled as inflation concerns and higher energy prices pushed yields upward. The Bloomberg AusBond Composite 0+ Year Index declined 0.3% over the quarter, while global bonds (Bloomberg Global Aggregate TR Hedged AUD) also fell 0.3%.

Credit markets held up slightly better than government bonds, although returns were still modestly negative across most segments.

Longer duration assets were particularly affected, again highlighting the sensitivity of bond portfolios to shifts in inflation expectations and central bank policy.

Global property & infrastructure

Listed property remained under pressure. The S&P/ASX 300 A REIT Index fell 16.4% over the quarter, extending recent weakness as higher bond yields and central bank policy setting continued to weigh on property valuations.

In contrast, global infrastructure proved more resilient. The Morningstar Global Equity Infrastructure Hedged NR AUD index rose 8.6% over the same period, supported by defensive earnings profiles, inflation linked revenues, and continued demand for essential infrastructure assets.

Currencies

The Australian dollar was volatile against major currencies, with commodity prices and shifting interest rate expectations remaining key drivers. Currency moves materially influenced unhedged global equity returns for Australian investors.

Outlook

Markets remain highly sensitive to inflation dynamics, energy prices, and geopolitical developments. While the sharp drawdown in March has improved valuations across several asset classes, the path forward is still uncertain.

For Australian equities, elevated sector dispersion suggests opportunities may increasingly arise from selective positioning rather than broad market exposure. Globally, narrow leadership in growth stocks remains a risk, particularly if interest rates stay higher for longer.

In fixed income, yields are now more attractive than before, but short-term volatility is possible. Portfolio diversification across asset classes, regions, and styles remains critical as markets adjust to a more complex and less predictable environment in 2026.