March 2023

Market wrap

February: Enthusiasm fades

- After booming returns in January, the month of February saw most markets sell off. **Global Share** performance was weak. Global shares lost 1.6% on a currency hedged basis, but gained 2.1% on an unhedged basis, due to a stronger USD and a depreciating AUD. In the U.S., almost all sectors of the S&P 500 were weaker. Technology was comparatively resilient, while Energy was amongst the weakest sectors with investors eyeing potential cost pressures.
- **Australian shares** fell during February, with the broad market index, the S&P/ASX 200 Accumulation Index losing 2.4%. The best performing sectors were Utilities and I.T., while the worst performing sectors for the month were Materials and Financials.
- **Fixed income** returns for the month struggled, with Australian Fixed Interest losing 1.3%, and global fixed interest losing 1.8%.
- The **Australian dollar** fell by 4.6% against the US dollar over the month, mainly due to a strengthening US dollar, driven mainly by the interest rate differential between Australia and the US. Against the Yen, the AUD was marginally lower, losing 0.1%. On a Trade-Weighted Index basis, the AUD was down by 1.6%, which was a complete reversal of last month's 1.6% rise.

Economies slowing, interest rates still rising

Globally

- The Conference Board reports that the global economy is so far weathering headwinds better than expected. Incoming activity data for the fourth quarter of 2022 beat expectations, even though they do point to continued slowing momentum.
- Global real GDP is forecasted to grow by 2.3% in 2023 according to the Conference Board, down from 3.3% in 2022. Most of the weakness is expected to be concentrated in Europe, Latin America and the U.S., though it is weighing on the industrial sector globally.
- Asian economies are expected to drive most of global growth in 2023, as they benefit from ongoing reopening dynamics and less intense inflationary pressures compared to other regions.

Locally

- The labour market eased slightly, as the unemployment rate rose to 3.7% surprising the market, however, the annual change in the Hourly Rates of Pay continued to rise.
- The RBA again increased the cash rate target by 0.25% to 3.60% on 7 March, which is now an accumulated increase of 3.50% over 10 months.

Major asset class performance

Asset classes	1 month %	1 year %	5 years (p.a.) %
Australian shares	-2.4%	7.2%	7.9%
Australian small companies	-3.7%	-8.0%	3.6%
Global shares (hedged)	-1.6%	-7.3%	6.6%
Global shares (unhedged)	2.1%	-0.5%	10.1%
Global small companies (unhedged)	2.3%	0.8%	8.1%
Global emerging markets (unhedged)	-2.3%	-8.8%	1.0%
Global listed property (hedged)	-3.6%	-14.3%	2.0%
Cash	0.2%	1.8%	1.1%
Australian fixed income	-1.3%	-6.4%	0.8%
International fixed income	-1.8%	-9.4%	0.0%

Source: Bloomberg & Insignia Financial, 28 February 2023

Indices used: Australian Shares: S&P/ASX 200 Accumulation Index, Australian small companies: S&P/ASX Small Ordinaries Accumulation Index, Global shares (hedged): MSCI World ex Australia Net Total Return (in AUD), Global shares (unhedged): MSCI World ex Australia Hedged AUD Net Total Return Index; Global small companies (unhedged): MSCI World Small Cap Net Total Return USD Index (in AUD); Global emerging markets (unhedged): MSCI Emerging Markets EM Net Total Return AUD Index; Global listed property (hedged): FTSE EPRA/NAREIT Developed Index Hedged in AUD Net Total Return; Cash: Bloomberg AusBond Bank Bill Index; Australian fixed income: Bloomberg AusBond Composite 0+ Yr Index; International fixed income: Bloomberg Barclays Global Aggregate Total Return Index Value Hedged AUD
Please note: Past performance is not indicative of future performance

Currency markets

Exchange rates	At close on 31/01 %	1 month change %	1 year change %
USD/AUD	**0.67**	**-4.6%**	**-7.4%**
Euro/AUD	**0.64**	**-2.0%**	**-1.7%**
Yen/AUD	**91.67**	**-0.1%**	**9.8%**
Trade weighted index	**61.40**	**-1.6%**	**1.3%**

Source: Bloomberg & Insignia Financial, 28 February 2023

All foreign exchange rates are rounded to two decimal places where appropriate.
Please note: Past performance is not indicative of future performance.