April 2023

Market wrap

March: Banks Impact Share Performance

- During March, **Global Share** performance was solid. Global shares gained 2.5% on a currency hedged basis, but gained an even more impressive 3.9% on an unhedged basis, due to a depreciating AUD driven down by a widening interest rate differential between Australia and the U.S. In the U.S., Information Technology was the best performing sector for March, followed closely by Communication Services. Financials was clearly the worst performing sector, which was no surprise given the issues in the banking sector during the month.
- **Australian shares** fell during slightly during March, with the broad market index, the S&P/ASX 200 Accumulation Index losing 0.2%. The best performing sectors were Materials, Communication Services and Utilities. Consumer Discretionary was the only other sector to produce a positive return. The worst performing sector was Real Estate.
- **Fixed income** returns for the month were favourable, with Australian Fixed Interest gaining a very solid 3.2%, and global fixed interest gaining 2.1%.
- The **Australian dollar** fell by 0.7% against the U.S. dollar over the month, mainly due to the widening interest rate differential between Australia and the U.S. Against the Yen, the AUD was lower, losing 3.0%.

U.S Rates Still Edging Higher, RBA Pauses

Globally

- The annual inflation rate in the U.S. according to consensus data is expected to have slowed for a ninth consecutive period to 5.2% for March 2023, when the official figures are released in April. This is the lowest since May 2021, and down from 6% in February, brought down by the lower costs of energy and food.
- The Fed raised the fed funds rate by 0.25% to 4.75%-5% in March 2023, matching February's increase, and pushing borrowing costs to new highs since 2007, as inflation remains elevated. The decision came in line with expectations from most investors, although some investors believed the central bank should pause the tightening cycle to shore up financial stability.

Locally

- 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. Note subsequent to month end, the RBA held rates at 3.60% at their April meeting, which raises the question of have rates peaked in this cycle.

Major asset class performance

Asset classes	1 month %	1 year %	5 years (p.a.) %
Australian shares	-0.2%	0.1%	8.7%
Australian small companies	-0.7%	-13.2%	3.9%
Global shares (hedged)	2.5%	-7.8%	6.6%
Global shares (unhedged)	3.9%	4.3%	11.0%
Global small companies (unhedged)	-1.9%	1.6%	7.3%
Global emerging markets (unhedged)	3.7%	0.1%	1.8%
Global listed property (hedged)	-3.9%	-21.3%	0.7%
Cash	0.3%	2.0%	1.1%
Australian fixed income	3.2%	0.3%	1.3%
International fixed income	2.1%	-5.5%	0.3%

Source: FactSet, Lonsec & Insignia Financial, 31 March 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 31/03 %	1 month change %	1 year change %
USD/AUD	0.67	**-0.7%**	**-10.8%**
Euro/AUD	0.62	**-3.1%**	**-8.7%**
Yen/AUD	89.1	**-3.0%**	**-2.2%**

Source: FactSet & Insignia Financial, 31 March 2023

All foreign exchange rates are rounded to two decimal places where appropriate.
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