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Market developments during February 2024 included:

Australian Equities

In February, the ASX 200 index continued its upward trend for the fourth consecutive month. The index saw a modest increase of 0.8%. Among the eleven sectors, five experienced gains. Notable sectors were Information Technology (I.T.) (+19.5%), Consumer Discretionary (9.2%), and Property (+5.1%), with their returns leading the market. Meanwhile, Energy (-6.0%), Materials (-5.0%) and Health Care (-2.7%) suffered declines, tempering the overall index performance during the month.

Local I.T. stocks had a stellar month, driven by the Artificial Intelligence-led rally in mega-cap U.S. tech names. Altium shares rose 31.5% after a takeover bid was recommended by its board of directors. Consumer Discretionary gained momentum due to surprisingly strong earnings reports from some of its constituents. Despite seemingly weak consumer sentiment, retailers reported stable margins despite price discounts, which buoyed share prices.

Among the laggards, Energy experienced the most significant decline after disappointing earnings reports were posted. Materials continued their slide as iron ore prices reached their lowest level since October 2023, primarily due to weak Chinese steel demand.

Global Equities

Global equity markets continued to rally in February with no sign of slowing down as strong earnings data pushes markets higher. Emerging markets outperformed developed markets returning 6.4% (MSCI Emerging Markets Index (AUD) versus a 5.9% return (MSCI World Ex-Australia Index (AUD).

All major indices closed at a record high in the US. A strong reporting season supported growth with 73% of S&P 500 companies beating earnings projections. The Nasdaq Composite gained 6.2% (in local currency terms) in February, while the S&P 500 gained 5.3% (in local currency terms) extending its now four-month winning streak.

Similarly in Japan, the Nikkei 225 Index smashed its 1989 all-time high, gaining 8.0% for the month (in local currency terms), bolstered by strong earnings results, a weaker Japanese Yen and corporate governance reforms aiming to boost shareholder returns.

The CSI 300 and Heng Seng rebounded 9.4% and 6.6% (in local currency terms), respectively after sinking to five-year lows at the beginning of the month. The rebound came after the central bank cut the benchmark lending rate by the most on record and China's securities regulator tightened controls on "market disruption".

Fixed Interest

The Reserve Bank of Australia has resolved to maintain the cash rate steady at 4.35% following their monthly monetary policy meeting, however, board members stated they would not rule out future interest rate hikes if inflation proves to be more persistent. Minutes from the 5 February meeting also revealed that the Board acknowledged there had been progress towards inflation objectives but that more progress was required, and the outlook remained uncertain.

Over the course of the month, Australian 2-Year and 10-Year Bond yields rose by 11bps and 12bps respectively, while the Bloomberg AusBond Composite 0+ Yr Index was down -0.3% over the course of February. The Statement of Monetary Policy report published by the RBA stated that economic growth in Australia is expected to remain subdued in the near term, and inflation continues to moderate and is expected to return to the target range of 2-3% in 2025.

In the U.S. the Federal Reserve announced that it would again maintain the overnight federal funds rate at 5.25%-5.5% for the fourth meeting straight. Markets have priced in another hold in their March meeting. US Treasury notes yields rose, with 2-year and 10-Year Treasury yields rising 42 and 34 bps respectively.

UK GDP contracted 0.3% in the last quarter of 2023, confirming a recession, although by historical standards the recession is likely to be shallow and short-lived. The Bank of England has also decided to hold rates steady at 5.25% and in February the U.K 2-Year and 10-Year Gilt yields rose 36 and 42 bps respectively.

REITs (listed property securities)

The S&P/ASX 200 A-REIT Accumulation index continued the strong start to the year in February, with the index finishing the month 5.1% higher. Conversely, global real estate equities (represented by the FTSE EPR/NAREIT Developed Ex Australia Index (AUD Hedged)) continued to regress, returning -0.1% for the month. Australian infrastructure started the year negatively, with the S&P/ASX Infrastructure Index TR returning -0.7% in February.

In the month of February, M&A activity was relatively muted as companies reported their half-year results. Some notable half-year announcements included Dexus (ASX: DXS) reporting that net tangible assets had decreased by $903m driven by property devaluations of $687m. GPT Group (ASX: GPT) reported revenues and other income were down 65.2% for the year, resulting in a net loss of $240m. Charter Hall Group (ASX: CHC) guided that FY24 distribution per security is set for 6% growth over FY23 distribution.

The Australian residential property market experienced an increase of +0.6% Month on Month (as represented by CoreLogic's five capital city aggregate). Perth was the biggest riser (+1.8%), followed by Adelaide (+1.1%) and Brisbane (+0.9%). In contrast, Melbourne (+0.1%) was the worst performer during February.

Alternatives
Preliminary estimates for February indicate that the index declined by 1.4 per cent (on a monthly average basis) in SDR terms, after increasing by 1.9 per cent in January (revised). The non-rural, rural, and base metals sub-indices all declined in the past month. In Australian dollar terms, the index declined by 0.1 per cent in February.

Over the past year, the index has declined by 11.0 per cent in SDR terms, led by lower thermal coal and liquified natural gas prices. The index has decreased by 6.7 per cent in Australian dollar terms.