

Market Update – February 2024

Asset class total return to 29/02/2024	1M (%)	3M (%)	6M (%)	1Y (%)	3Y (% p.a.)	5Y (% p.a.)	Current Yield (%)
Cash	0.4	1.1	2.1	4.1	2.1	1.5	4.4
Fixed Term Deposits	0.4	1.3	2.5	4.5	2.5	2.0	5.0
Australian Bonds	-0.3	2.6	2.1	3.5	-1.4	0.3	4.2
Australian Bank Hybrids	0.9	1.7	3.7	4.6	3.6	3.5	5.2
Australian Property	4.8	18.1	12.8	15.1	10.4	6.0	3.8
Australian Shares	0.8	9.4	7.4	10.6	9.3	8.6	3.8
Global Shares (unhedged)	5.9	12.7	11.9	29.8	15.2	13.8	1.9
Global Infrastructure (hedged)	0.6	0.8	2.3	-0.6	4.4	2.7	3.5

Total returns and yields are before franking credits. Source: RBA cash rate, 12M Bank term deposit, Bloomberg Austbond Composite Index, Solactive Aust Banking Preferred shares Index, S&P/ASX 300 A-REIT Index TR, S&P/ASX 200 TR, MSCI World ex-Aust unhedged TR, FTSE Developed Core Infrastructure 50/50, hedged, TR.

Financial Indicator movement	29/02/24	1M	3M	6M	1Y
AUD/USD (cents)	0.65	-0.01	-0.01	0.00	-0.02
Aust. 10-year bond yield (%)	4.15	0.10	-0.24	0.11	0.28
Gold US\$/ounce	2,043	0.3%	0.4%	5.3%	11.8%
Brent oil US\$/bbl	84	2.3%	1.0%	-3.7%	-0.3%
Iron ore US\$/t	125	-7.4%	-3.8%	14.7%	-1.6%
Copper US\$/pound	3.84	-1.7%	0.2%	1.7%	-6.4%

Source: Refinitiv. Note: Past performance is not a reliable indicator of future performance.

Global

Conditions have turned quite bullish, with inflation expected to retreat to target during 2024 and Central Banks likely to begin the easing cycle by mid-year. The US Federal Reserve recently said that it is not far from having the confidence to ease interest rates, as inflation returns to target. Bond yields have already been retreating, which has been very supportive of growth assets like equities and property.

Commodities have been mixed, with China continuing to slow into 2024. Clean energy metals (lithium, rare earths, nickel) have been weak, bulks (iron and coal) have also retreated but precious metals (gold) have broken out to record highs. In theory, an easing in US interest rates should see weakness in the USD, which should be supportive of commodity prices moving forward. In addition, the economic cycle should gather momentum, as interest rates come down in the developed world.

Geopolitical risk remains elevated in certain regions like Eastern Europe, the Middle East and the South China Sea but supply chains have not been overly impacted thus far and the oil price remains contained. Geopolitical and natural disaster risks are two 'known unknowns' that could upset bullish conditions but are obviously hard to predict. The US election, due in November 2024, could also add to geopolitical risks, depending on the Presidential outcome.

Australia

Inflation is also retreating in Australia but is not likely to return to target (2-3%) until early 2025 or around six months later than the US. For this reason, the RBA is not expected to begin the easing cycle until later in the year, which should lend strength to the AUD/USD at some point in 2024.

The government is still running a budget surplus and income tax cuts are due by mid-year. An easing in fiscal and monetary policy ahead is very supportive of the growth outlook for FY25. The local sharemarket has broken out of a 2-3 year trading range, which is a bullish signal. In addition, takeover activity has increased and shorts are being squeezed. It all points to a bull market developing. We expect an increase in IPO activity ahead.

Outlook

Interest rates are the No.1 driver of equity markets and with rates set to ease during 2024, the outlook is positive. Australia also has the added benefit of tax cuts ahead. The main risks to this rosy view seem to be inflation proving persistent (which would delay rate cuts) or geopolitical events upsetting the status quo. China's slowdown is another area of uncertainty that could drag on commodity prices.

Overall, we remain bullish. We note that company balance sheets are in good shape and that an easing in inflation and interest costs should boost company earnings. Our focus on quality, value and yield will continue to be important in driving returns and minimising risk.

The next key events on the calendar include:

- RBA meeting – 18/19 March 2024
- Fed meeting – 19/20 March 2024

Bill Keenan

Principal, Portfolio Manager



Bill Keenan is the founder of Sunbird Portfolios. Sunbird provides independent advice to leading financial advisers across Australia.

Bill has 30 years' experience in financial markets and holds a Bachelor of Business in Accounting and a Graduate Diploma in Finance and Investment.

Warnings, Disclosures and Disclaimer

Date issued: Friday, March 8, 2024

This document is provided by Sunbird Portfolios Pty Ltd (Sunbird) | ABN 91 620 481 218 | AFSL 503266.

Warnings

Any advice provided in this document is general in nature only and does not take into consideration your objectives, financial situation or needs. Before acting on the advice, you must consider whether it is personally appropriate considering your financial circumstances or should seek independent financial advice on its appropriateness. Past performance is not a reliable indicator of future performance.

Disclosures

Sunbird DOES NOT accept fees or gifts from companies or product issuers. Sunbird and its respective officers may have an interest in the financial product of any entities referred to in this material. See www.sunbirdportfolios.com.au for a list of Director shareholdings. All views expressed in this report accurately reflect the author's personal views about the subject investment theme and/or company securities.

Disclaimer

The material in this report has been obtained from sources reasonably believed to be true and neither Sunbird nor its associates make any representation or warranty concerning the accuracy, or reliability or completeness of the information or the performance of the companies or portfolios referred to in this report.

Any opinions and/or recommendations expressed or implied in this material are subject to change without notice and Sunbird is not under any obligation to update or keep current the information contained herein. References made to third parties are based on information believed to be reliable but are not guaranteed as being accurate. Every attempt has been reasonably made by Sunbird to verify the accuracy of the information contained in the report. Sunbird, its associates, officers, directors, employees and agents are not liable for any errors or omissions (except any statutory liability which cannot be excluded) in connection with this report. Except for any liability which cannot be excluded, Sunbird, its directors, employees and agents accept no liability or responsibility for any loss or damage of any kind, direct or indirect, arising out of the use of all or any part of this report.

This report is intended for certain recipients only. It is confidential and may contain information which is privileged or personal. If you are not an intended recipient, you must not disclose or use this report for any purpose. If you have received this report in error, please call us and then destroy the report or delete it from your computer system.

COPYRIGHT © 2024 Sunbird Portfolios. This report is subject to copyright. Except for the temporary copy held in a computer's cache and a single permanent copy for your personal reference or other than as permitted under the Copyright Act 1968 (Cth), no part of this report may, in any form or by any means (electronic, mechanical, micro-copying, photocopying, recording or otherwise), be reproduced, stored or transmitted without the prior written permission of Sunbird. This report may also contain third party supplied material that is subject to copyright. Any such material is the intellectual property of that third party or its content providers.

W www.sunbirdportfolios.com.au

E support@sunbirdportfolios.com.au

M 0403534426

T 03 8840 7886

A Exchange Tower, Level 1, 530 Little Collins Street, Melbourne, VIC 3000