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Market developments during March 2024 included:

Australian Equities
The ASX 200 rose 3.3% in March, with the strong month punctuated by gains seen in ten of the eleven sectors. Property delivered the largest returns (+9.7%), while Energy (+5.3%) and Utilities (+4.8%) were the other market-leaders. Despite only a minor retraction (-0.6%), Communications finished as the only sector in the red.

Despite mixed macro data releases, Property was the beneficiary of stabilising bond yields, slowing inflation, and a more dovish tone from the RBA. The market sentiment pointing toward a rate cut in late 2024 was a positive factor for the rate-sensitive sector. Of the individual constituents, McGrath Ltd (ASX: MEA) rose significantly after shareholders received a takeover bid.

Energy stocks clawed back some of the losses from February, with a few factors contributing to the uptick. Perhaps most importantly, OPEC+ members extended production cuts, a major contributor to rebounding oil prices. As a result, shares in stocks such as Santos (ASX: STO) and Beach Energy (ASX: BPT) saw significant rises.

In the first quarter of 2024, the ASX 200's 5.3% gain was outpaced by major global indices, with the Japanese Nikkei up 18.1%, the S&P 500 up 10.6%, and major European stocks up 8.4%.

Global Equities
Global equity markets continued to rally, finishing Q1 on record highs. Emerging markets underperformed developed markets in March returning 2.28% (MSCI Emerging Markets Index (AUD)) versus a 3.02% return (MSCI World Ex-Australia Index (AUD)).

US indices continued to beat all-time highs, as market momentum boosted investor confidence and the Fed reiterated their commitment to three rate cuts in 2024. The Nasdaq Composite gained 1.8% for the month and 9.3% for the quarter (in local currency terms), while the S&P 500 gained 3.2% for the month and 10.6% for the quarter (in local currency terms), up 26.1% over five straight months of gains.

Japan similarly continued to extend its all-time high, the Nikkei 225 Index gaining 3.78% for the month (in local currency terms), as continued low interest rates and a weaker Yen drive growth.

The CSI 300 and Hang Seng gained 0.61% and 0.64% (in local currency terms), respectively. After strong lunar new year demand turned headline inflation positive and the annual National People's Congress revealed a 5% growth target for 2024. This all comes despite the continued slowdown in the property sector and a 10-month low in the iron ore price.

Fixed Interest
Exhibiting a continued hawkish stance, the RBA has held the cash rate at 4.35% for the third straight meeting this year. Australian bond markets remained relatively unchanged with 10- and 2- Year Bond yields falling 5 and 4 basis points respectively over the course of the month. The Australian economy continues to show signs of progress, with the market anticipating rate cuts by the end of 2024. Against this backdrop, the Bloomberg AusBond Composite 0+ Yr Index returned 1.12% over the course of the month.

Globally, The US economy has remained resilient despite The Fed's efforts to cool inflation by keeping interest rates at their 23-year high following their March meeting. US 2-Year Treasury Note yields were unchanged month-end to month-end, while 10-year Treasury yields rose 29 basis points. The sell-of comes as investors become less optimistic on expected rate cuts. In the UK, the Bank of England board is determined to meet the 2% inflation target and has voted to maintain the Bank Rate at 5.25%. UK 2- and 10- Year Gilt yields fell 41 and 28 basis points respectively. This follows the announcement of a historic gilt issuance, with the UK to sell £265bn of gilts.

REITs (listed property securities)
The S&P/ASX 200 A-REIT Accumulation index continued the strong start to the year in March rallying 9.7%. Global real estate equities (represented by the FTSE EPR/NAREIT Developed Ex Australia Index (AUD Hedged)) finished 3.5% higher.

The AREIT index outperformed the broader markets buoyed by a fall in the Australian 10-year bond rate and continued M&A activity and transaction markets opening up.

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 March indicate that the index decreased by 4.9 per cent (on a monthly average basis) in SDR terms, after decreasing by 1.9 per cent in February (revised). The rural and non-rural subindices decreased in the month, while the base metals subindex increased. In Australian dollar terms, the index decreased by 5.1 per cent in March.

Over the past year, the index has decreased by 15.3 per cent in SDR terms, led by lower thermal coal, iron ore, coking coal, liquified natural gas and lithium prices. Lithium (Spodumene) was added to the index for the first time, alongside the annual reweighting. The index has decreased by 14 per cent in Australian dollar terms.

Currencies

The Australian dollar (AUD) appreciated over the month of March, closing 0.7% higher in trade weighted terms to 61.5, appreciating against the Japanese Yen (JPY), US Dollar (USD), Pound Sterling (GBP) and Euro (EUR).

The AUD emerged as the top performer among G10 currencies in March, propelled by robust market sentiment that pushed global equities to record highs. The AUD surged to its highest point in two months, following the release of a strong Australian February employment report. Despite a discernible downtrend in the latter part of the month, the AUD managed to secure its first monthly gain against the USD for 2024.

Relative to the AUD, the GBP depreciated the least during the month, closing 0.3% lower. The laggard of the month was the JPY, depreciating in relative terms against the AUD by 1.2%. Year-on-year, the AUD remains behind the GBP, EUR, and USD by -4.8%, -2.1% and -2.5% respectively, whilst ahead of the JPY by 11.1%.