



Market Trends

March

2024

with Chief Economist
David Bassanese



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- Global equity themes
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Market overview – March 2024

Major Asset Class Performance

	Mth	Prev. mth	3-mth	prev. 3-mth	6-mth	12-mth
Defensive Assets	0.9%	-0.4%	0.5%	4.1%	4.7%	2.1%
Cash	0.4%	0.3%	1.1%	1.1%	2.2%	4.2%
Aust. Bonds	1.1%	-0.3%	1.0%	3.8%	4.9%	1.5%
Global Bonds	0.8%	-0.8%	-0.3%	5.4%	5.1%	2.5%
Gold	9.1%	0.2%	8.1%	11.6%	20.6%	13.2%
Growth Assets	3.4%	4.0%	10.6%	6.8%	18.0%	22.7%
A-REITs	9.6%	4.8%	16.2%	16.5%	35.3%	35.4%
Aust. Equities	3.3%	0.8%	5.3%	8.4%	14.2%	14.4%
Global Equities-\$A	2.9%	5.9%	13.2%	5.0%	18.8%	26.5%
Balanced Portfolio	2.2%	1.8%	5.6%	5.4%	11.4%	12.4%
MSCI ACWI - LC	3.4%	4.7%	9.5%	9.4%	19.8%	24.4%
World vs \$A	-0.4%	1.2%	3.3%	-4.0%	-0.8%	1.7%

Source: Bloomberg. Past performance is not indicative of future performance. Defensive, growth and Balanced portfolio returns based on asset weights for the Betashares strategic balanced managed portfolio.

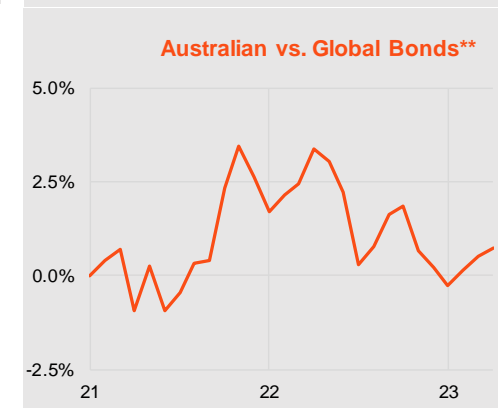
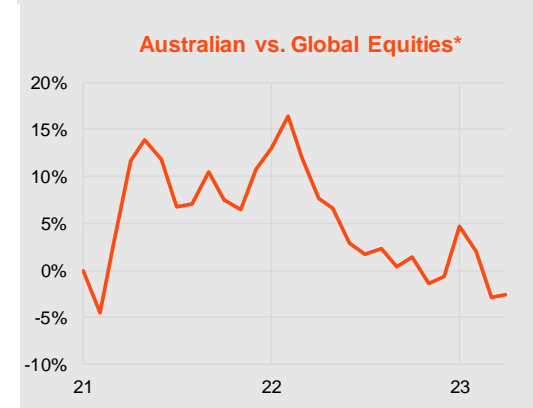
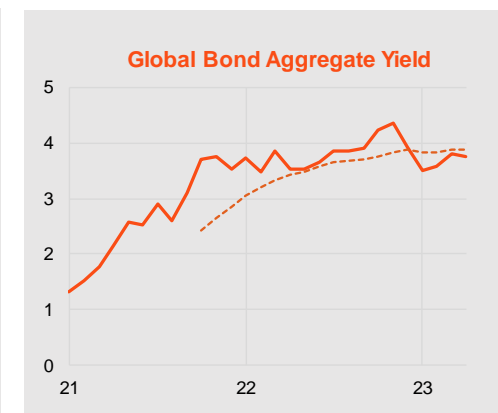
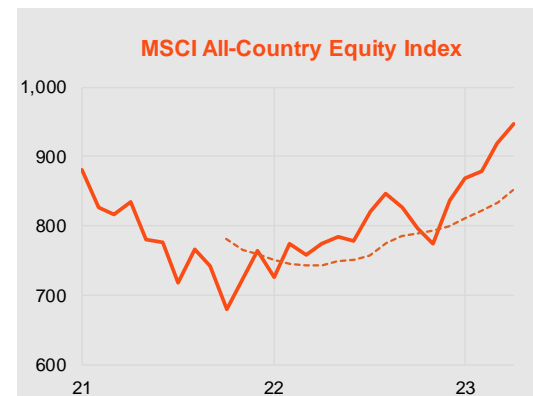
Our hypothetical balanced portfolio returned 2.2% in March, reflecting further good gains in growth assets and a positive rebound in defensive asset returns.

Defensive assets returned 0.9%, reflecting firmer fixed-rate bond returns as bond yields eased back modestly. Gold returns remained strong, up 9.1% in March.

Growth assets returned 3.4%, with global equities in unhedged AUD terms rising 2.9%. The trend in global equities has been upward since bottoming in late 2022.

An easing in bond yields helped produce further strong gains in local listed property, which returned 9.6%, while Australian equities returned 3.3%. The trend in the relative performance of Australian equities remains downward since early 2023. Relative returns for Australian versus global bonds has been choppy over the past year.

Global & Australia Major Asset Class Performance



Source: Bloomberg. Past performance is not an indicator of future performance. *Australian equities: S&P/ASX 200 vs Global MSCI ACWI in unhedged \$A terms. **Bonds: Bloomberg Australian Composite Bond Index vs. Bloomberg Global Aggregate Bond Index hedged \$A terms. Australian vs. global equity and bond performance in percentage difference from start of chart.

Global Markets

- Global bonds
- Global equities
- Global sector/factor trends
- Global regional trends



Global bonds

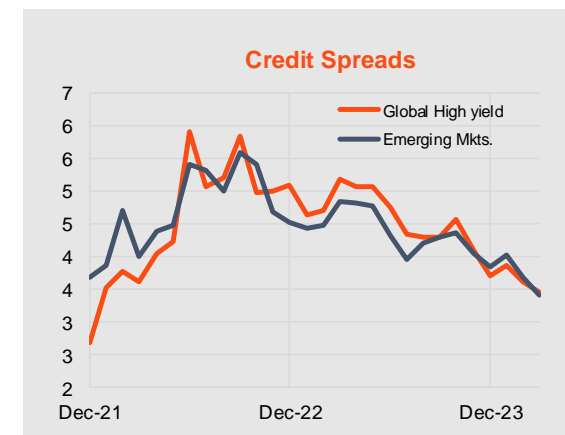
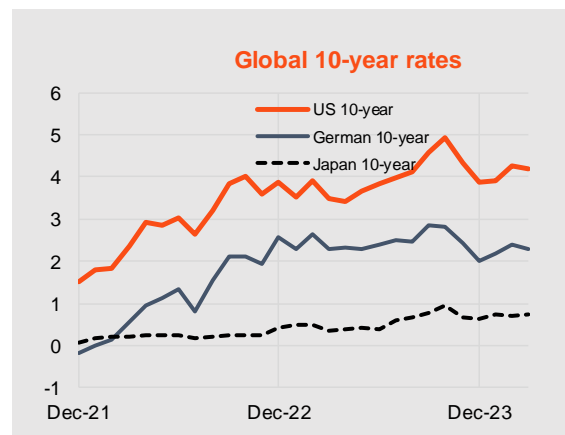
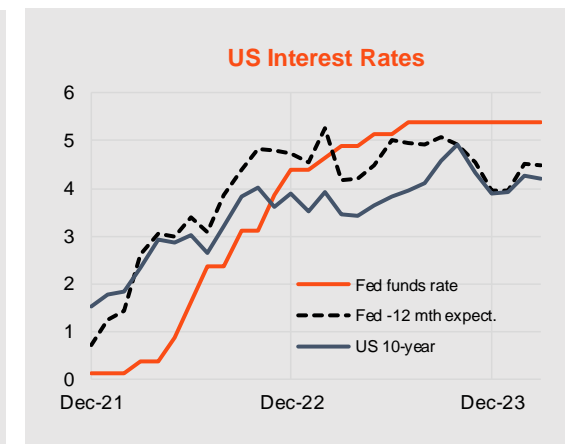
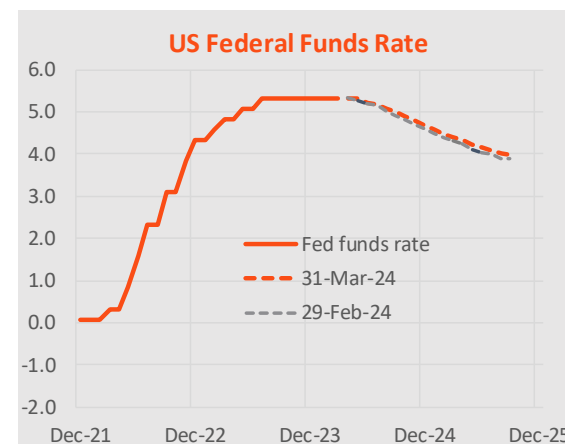
The Bloomberg Global Aggregate Bond Index (AUD hedged) returned 0.8% in March, reflecting a small decline in global bonds yields. Inflation has continued to generally decline globally in line with expectations and more central banks signal the next move in rates is likely down. Over the past year, the index has returned 2.5%

Importantly in the United States, while both the consumer price index (CPI) and producer price index (PPI) produced further solid gains in February, the US Federal Reserve retained its expectation for three rate cuts this year. Fed chair Powell retained his optimism that inflation would keep falling (although the road could be bumpy) and interest rate could likely be cut later this year. The Bank of Switzerland became the first-developed country central bank to cut rates this cycle, while in a widely anticipated move, the Bank of Japan ended its negative interest rate policy.

US 10-year bond yields edged down 0.05% over the month to 4.20% p.a., German 10-year bond yields eased 0.11%, while Japanese yields edged up only 0.02%, despite the BOJ rate hike. High yield bond spreads continued to narrow. All up, the yield-to-maturity on the Bloomberg Global Aggregate Index eased 0.06% to 3.74% p.a.

Global Bonds	Last	Mth	Prev. mth	3-mth	prev. 3-mth	6-mth	12-mth
US Fed Funds	5.38	0.00	0.00	0.00	0.00	0.00	0.50
Fed F 12-mth exp. ³	4.47	-0.03	0.55	0.52	-1.13	-0.61	0.30
US 10-yr yield	4.20	-0.05	0.34	0.32	-0.69	-0.37	0.73
German 10-yr	2.30	-0.11	0.25	0.28	-0.82	-0.54	0.01
Japan 10-yr	0.73	0.02	-0.02	0.11	-0.15	-0.04	0.38
High yield spread	3.46	-0.15	-0.25	-0.25	-0.60	-0.85	-1.73
Global Bond yield	3.74	-0.06	0.22	0.23	-0.70	-0.48	0.20
Global Bonds-\$US H	561	0.9%	-0.7%	0.0%	6.0%	6.0%	4.1%
Hedging cost		-0.1%	-0.1%	-0.3%	-0.6%	-0.9%	-1.6%
Global Bonds-\$A H	1,009	0.8%	-0.8%	-0.3%	5.4%	5.1%	2.5%

Select Global Interest Rates



Source: Bloomberg, Refinitiv, Betashares. Past performance is not indicative of future performance.

Global equities

Steadier bond yields helped the MSCI All-Country World Equity Index return a further 3.4% in March on an unhedged (local currency) basis, following a 4.7% gain in February. Forward earnings were up only 0.3% in the month, with most of the contribution to returns coming from a further rise in the forward-PE ratio to 17.9.

Associated with this, there was a further narrowing in the equity risk premium to relatively tight 1.37% - the lowest level since the mid-2000s.

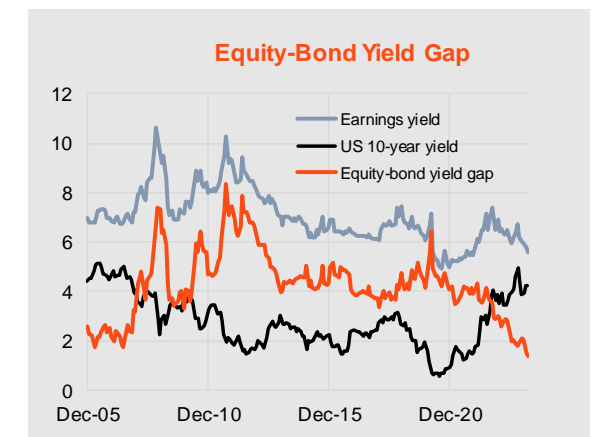
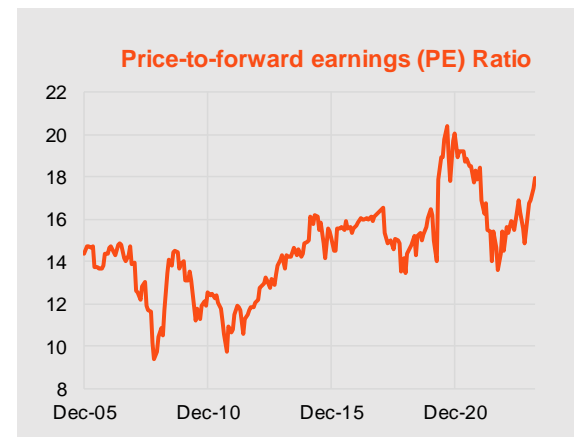
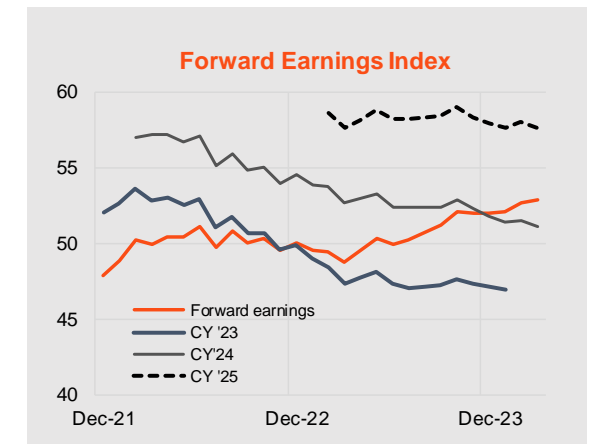
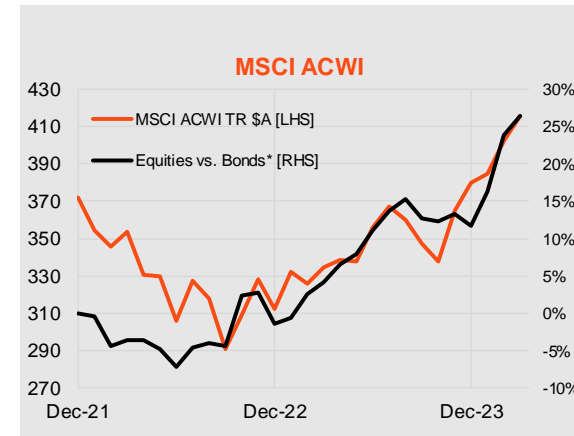
In unhedged AUD terms, global equities returned a softer 3.4%, thanks to modest weakness in global currencies versus the AUD. On an unhedged basis, global equities have returned 26.5% over the past year.

With market fears of a global recession anytime soon now all but eradicated, resilient US economic growth, hopes of a broadening in global growth to non-US regions, artificial intelligence euphoria and rate-cut expectations are now the major drivers of the global equity rally. The only near-term debate is how quickly central banks will cut interest rates.

The major risks remaining are sticky inflation and a premature acceleration in global growth, which places renewed upward pressure on bond yields and downward pressure on increasingly stretched equity valuations.

Global Equities	Last	Mth	Prev. mth	3-mth	prev. 3-mth	6-mth	12-mth
US 10-yr yield	4.20	-0.05	0.34	0.32	-0.69	-0.37	0.73
Equity-risk premium ⁵	1.37	-0.11	-0.52	-0.73	0.25	-0.48	-1.45
Earnings yield ⁶	5.58	-0.16	-0.19	-0.40	-0.44	-0.85	-0.72
PE ratio ⁷	17.9	2.9%	3.3%	7.2%	7.4%	15.2%	12.9%
Forward Earnings ⁸		0.3%	1.2%	1.7%	1.5%	3.3%	8.4%
MSCI ACWI Price Index		3.1%	4.5%	9.1%	9.0%	18.9%	22.4%
Dividend		0.2%	0.1%	0.4%	0.3%	0.8%	2.1%
Total Return-hedged		3.4%	4.7%	9.5%	9.4%	19.8%	24.4%
World vs \$A		-0.4%	1.2%	3.3%	-4.0%	-0.8%	1.7%
Total return-\$A basis ⁹		2.9%	5.9%	13.2%	5.0%	18.8%	26.5%

MSCI All-Country World Equity Index



Source: Bloomberg, Refinitiv, Betashares. Past performance is not indicative of future performance.

Global sector/factor trends

Strength in gold prices contributed to a belated strong gain in global mining stocks in March, with MNRS' index returning 19.3%! Other value exposures such as agriculture (FOOD), energy (FUEL) and financials (BNKS) also performed well compared to the NASDAQ-100 (NDQ) and global quality (HQLT).

Delayed US rate cut hopes and relative value considerations have potentially contributed to the recent new interest in value over growth/quality exposures. Whether this is the start of a new trend remains to be seen, as the US still seems likely to cut interest rates late this year in line with ongoing declines in inflation.

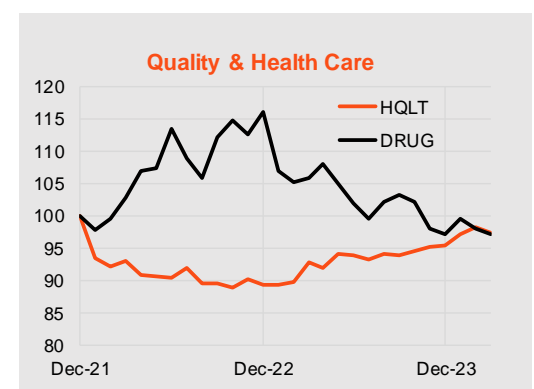
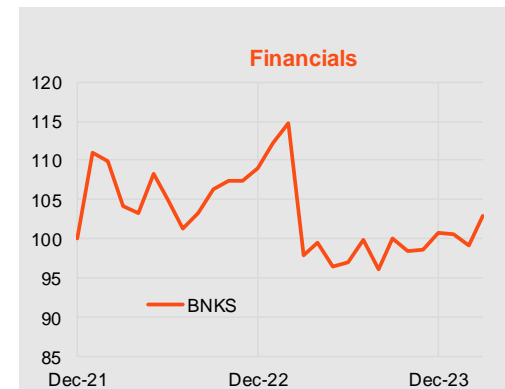
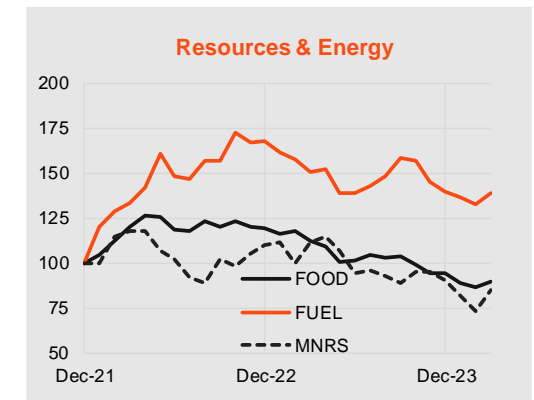
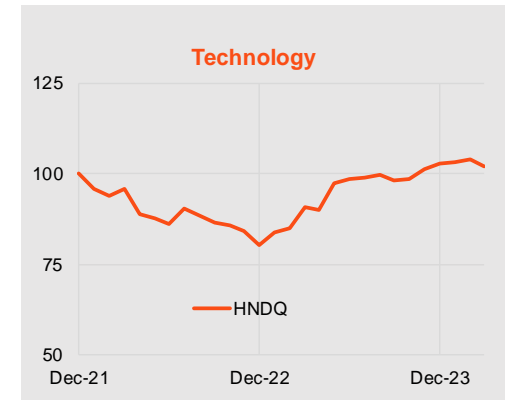
Selected Betashares Global Equity Indices – March Performance

Global Equity Returns ⁹	Mth	Prev. mth	3-mth	prev. 3-mth	6-mth	12-mth
MSCI ACWI	3.4%	4.7%	9.5%	9.4%	19.8%	24.4%
HNDQ	1.2%	5.4%	8.7%	14.5%	24.4%	39.3%
HQLT	2.4%	5.9%	12.0%	11.1%	24.4%	30.5%
FUEL	8.3%	1.8%	8.8%	-3.4%	5.2%	14.8%
BNKS	7.3%	3.3%	11.8%	10.1%	23.1%	30.8%
DRUG	2.5%	3.0%	9.6%	2.8%	12.6%	14.2%
FOOD	6.7%	1.9%	4.4%	-0.6%	3.8%	-0.4%
MNRS	19.3%	-5.9%	2.2%	11.5%	13.9%	-5.4%

Source: Bloomberg, Betashares. Shows the performance of the index that each ETF seeks to track, and not the ETF itself. Does not take into account ETF management fees and costs. You cannot invest directly in an index. **Past performance is not indicative of future performance of any index or ETF.**

Selected Betashares Global Equity Index Exposures

Relative Performance Indices*



Source: Bloomberg, Betashares. International ETF indices vs. MSCI ACWI. Index performance is used to show long term performance of the asset class. Chart shows performance of the index which the relevant ETF aims to track, not the actual past performance of the ETF. Index performance does not take into account ETF fees and costs. You cannot invest directly in an index. ETF may not have been in existence for entire period specified in the chart. **Past performance is not an indicator of future performance.**

Global regional trends

Non-US equity exposures generally outperformed the US in March, with the S&P 500 returning 3.4% - or a little less than the global benchmark. Japanese equities (HJPN) continued to perform exceptionally well despite the BOJ rate hike.

The relative underperformance of European equities (HEUR) also appears to be bottoming out, which bodes well for a broadening in the global equity rally. Australia and UK relative performance, however, remains in a downtrend.

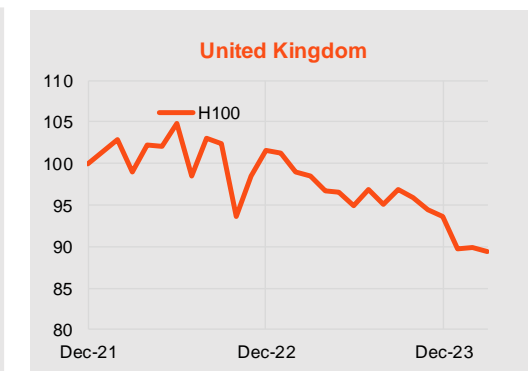
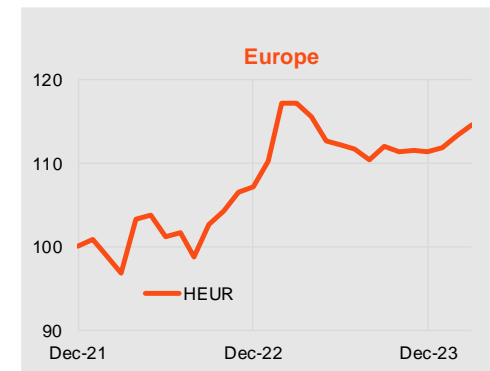
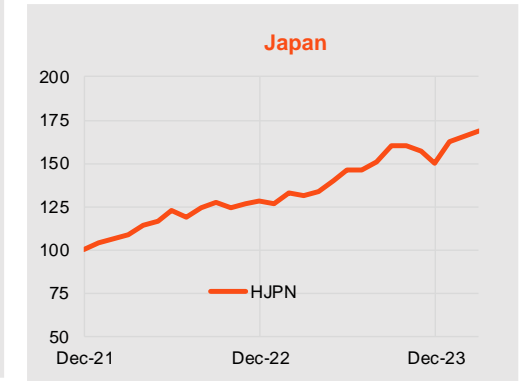
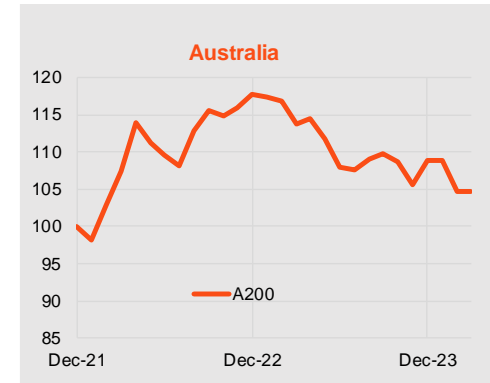
Selected Betashares Global Equity Indices – March Performance

Global Equity Returns ⁹	Mth	Prev. mth	3-mth	prev. 3-mth	6-mth	12-mth
MSCI ACWI	3.4%	4.7%	9.5%	9.4%	19.8%	24.4%
A200	3.3%	0.8%	5.4%	8.5%	14.4%	14.6%
HJPN	5.4%	7.0%	23.6%	2.1%	26.2%	60.3%
S&P 500	3.2%	5.3%	10.6%	11.7%	23.5%	29.9%
H100	4.8%	0.5%	4.0%	2.3%	6.4%	8.4%
Europe 350	4.2%	3.6%	10.3%	7.8%	18.9%	14.8%

Source: Bloomberg, Betashares. Shows the performance of the index that each ETF seeks to track, and not the ETF itself. Does not take into account ETF management fees and costs. You cannot invest directly in an index. **Past performance is not indicative of future performance of any index or ETF.**

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Australian Markets

- Australian cash and bonds
- Australian equities
- Australian equity themes



Australian cash and bonds

The Bloomberg Australian Bond Composite Index returned 1.1% in February, reflecting a decline in local bonds yields. Cash returns, according to the Bloomberg Bank Bill Index, lifted 0.4%.

The decline in bond yields reflected both lower global rates plus a slightly deeper rate cut expectations in 2025. Key local news was a slightly softer tone in recent RBA commentary, playing down the risk of further rate rises. The market is pricing just under two rate cuts by end-2024.

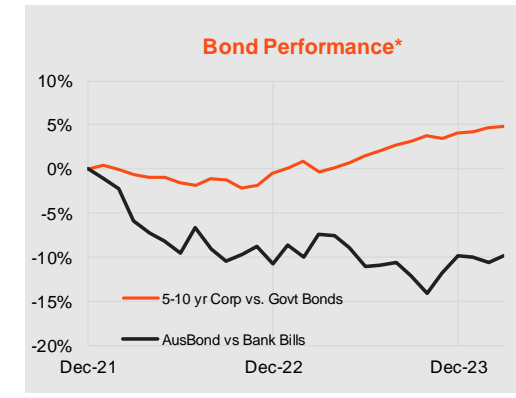
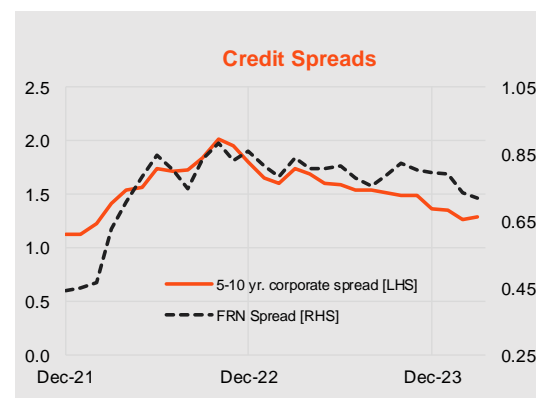
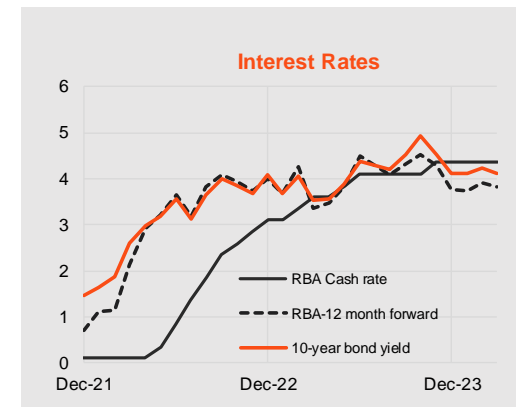
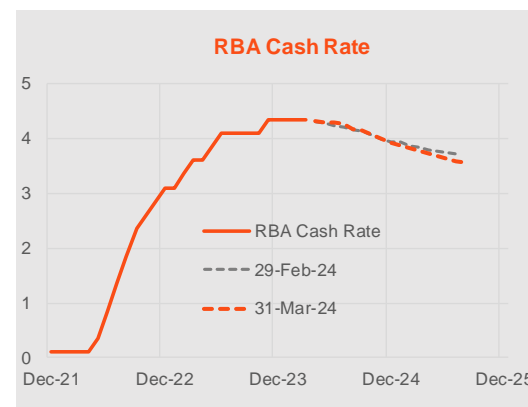
Bond have outperformed cash since the peak in bond yields in October last year, though there has been a modest setback in this trend in the past two months.

Corporate credit spreads, meanwhile, continue to narrow, which is supportive of corporate bond outperformance over government bonds.

Australian Bonds	Last	Mth	Prev. mth	3-mth	prev. 3-mth	6-mth	12-mth
RBA Cash Rate (%)	4.35	0.00	0.00	0.00	0.25	0.25	0.75
RBA 12-mth exp. ³	3.82	-0.11	0.19	0.06	-0.55	-0.49	0.45
US 10-yr yield	4.201	-0.05	0.34	0.32	-0.69	-0.37	0.73
Aust. 10-yr yield	3.96	-0.17	0.12	0.01	-0.53	-0.52	0.66
FRN spread ¹ (%)	0.72	-0.02	-0.06	-0.08	0.01	-0.07	-0.12
Hybrid Spread ² (%)	3.60	1.00	-0.15	0.98	0.10	1.08	0.80
5-10yr spread ⁴	1.29	0.03	-0.10	-0.07	-0.16	-0.22	-0.45
AusBond Comp. yield	4.12	-0.12	0.12	0.01	-0.42	-0.41	0.60
AusBond Comp. Return Index		1.1%	-0.3%	1.0%	3.8%	4.9%	1.5%
B/Bg Bank Bill Return Index		0.4%	0.3%	1.1%	1.1%	2.2%	4.2%

Source: Bloomberg, Refinitiv, Betashares. *Bloomberg AusBond Composite Index, Bloomberg Bank Bill Index, Bloomberg 5–10-year Australian Government and Corporate Bond Indices. Past performance is not indicative of future performance.

Select Australian Interest Rates



Source: Bloomberg. Past performance is not an indicator of future performance. *AusBond Index vs Bank bills and corporate vs. government 5-10 year bond performance is the percentage difference in returns from start of chart.

Australian equities

Helped by lower local bond yields, the S&P/ASX 200 Index returned 3.3% in March after a 0.8% gain in February, after breaking out of a multi-year range. Forward earnings ticked up after being flat in February, with a modest upgrade to earnings expectations evident. Most of the market gain, however, come from valuations with the PE ratio rising 1.9% to 16.7.

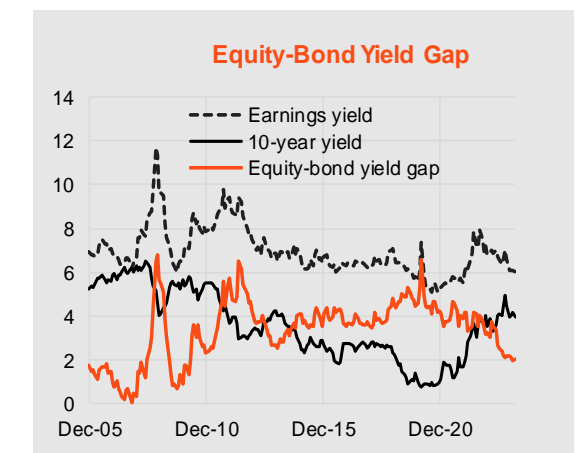
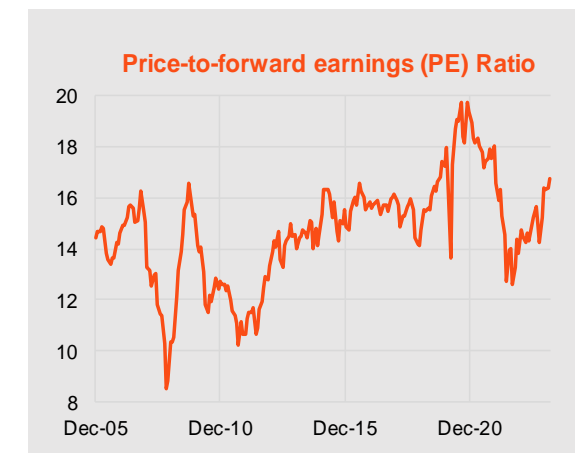
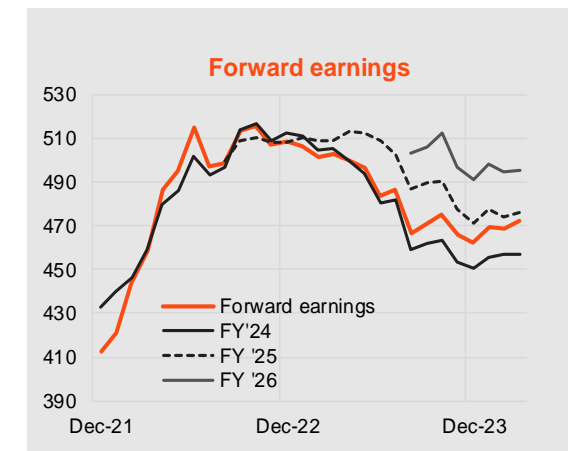
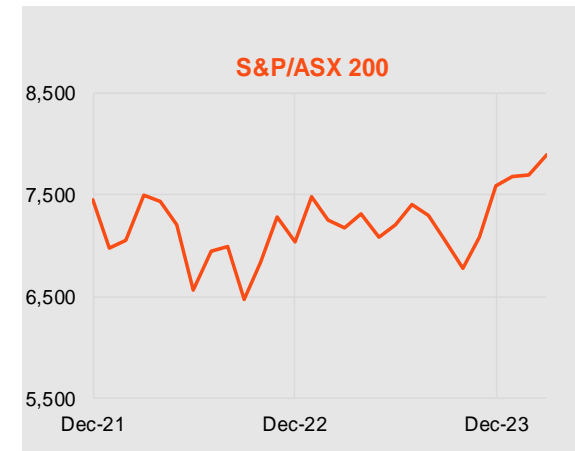
As with global markets, PE valuations are getting a little stretched and the equity risk premium is low. Sustained further gains seem to require a decent decline in bond yields (without a recession) or further gain in forward earnings. With expected positive earnings growth in FY25 and FY26, the forward earnings outlook is positive after declines through much of 2023.

With a local and global economic soft landing now achievable, the outlook for earnings is encouraging – albeit expected growth over the coming year appears somewhat more subdued than for the global market overall.

Australian Equities	Last	Mth	Prev. mth	3-mth	prev. 3-mth	6-mth	12-mth
Aust. 10-yr yield	3.96	-0.17	0.12	0.01	-0.53	-0.52	0.66
Equity-risk premium ⁵	2.02	0.06	-0.15	-0.12	-0.06	-0.18	-1.70
Earnings yield ⁶	5.98	-0.12	-0.02	-0.12	-0.59	-0.70	-1.03
PE ratio ⁷	16.7	1.9%	0.4%	2.0%	9.6%	11.8%	17.3%
Forward Earnings ⁸		0.6%	-0.1%	2.0%	-1.8%	0.2%	-6.2%
S&P/ASX 200 Price Index		2.6%	0.2%	4.0%	7.7%	12.0%	10.0%
Dividend		0.7%	0.6%	1.3%	0.7%	2.1%	4.4%
Total Return		3.3%	0.8%	5.3%	8.4%	14.2%	14.4%

Source: Bloomberg, LSEG Datastream, Betashares. Past performance is not indicative of future performance.

S&P/ASX 200 Equity Index



Source: Bloomberg, LSEG Datastream, Betashares. Past performance is not indicative of future performance.

Australian equity themes

Local technology stocks were the laggards among selected Australian equity ETFs in March, consistent with the global switch to value themes. Resources (QRE), and quality (AQLT) produced above market returns while financials (QFN) were a touch below average.

Over the past six to 12 months, three of the selected Australian equity theme indices - financials, technology and quality - have tended to outperform the broader market. After a very strong 2023, relative performance of the resources sector has since pulled back.

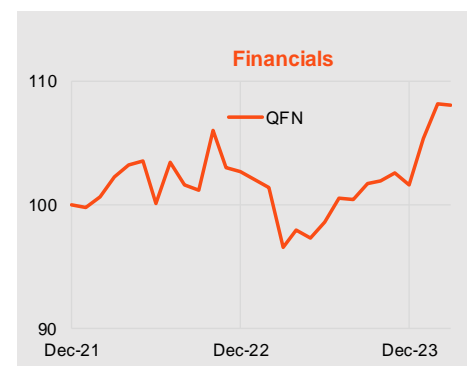
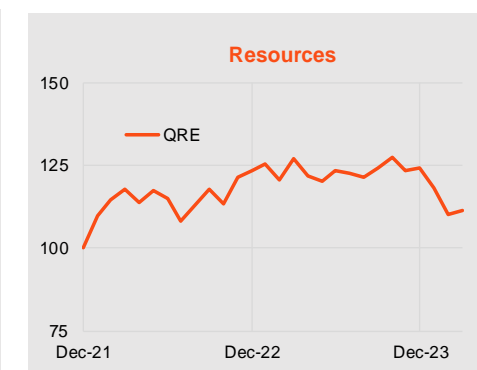
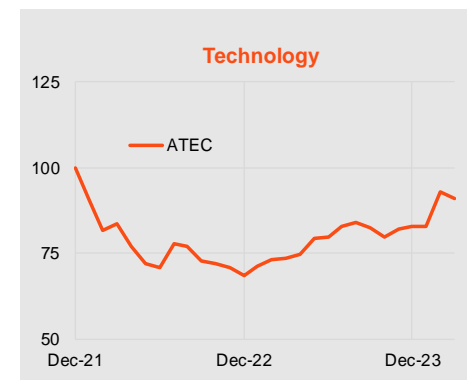
Selected Betashares Australian Equity Indices – March Performance

Aust. Equity Returns ⁹	Mth	Prev. mth	3-mth	prev. 3-mth	6-mth	12-mth
S&P/ASX 200	3.3%	0.8%	5.3%	8.4%	14.2%	14.4%
ATEC	0.9%	13.0%	15.4%	9.2%	26.1%	41.4%
QFN	3.1%	3.5%	12.0%	8.2%	21.2%	28.0%
QRE	4.2%	-6.0%	-5.6%	8.4%	2.3%	0.3%
AQLT	3.5%	3.5%	9.8%	8.6%	19.3%	22.6%

Source: Bloomberg, Betashares. Shows the performance of the index that each ETF seeks to track, and not the ETF itself. Does not take into account ETF management fees and costs. You cannot invest directly in an index. **Past performance is not indicative of future performance of any index or ETF.**

Selected Betashares Australian Equity Index Exposures

Relative Performance Indices*



Source: Bloomberg, Betashares. Australian ETF indices vs. S&P/ASX 200. Index performance is used to show long term performance of the asset class. Chart shows performance of the index which the relevant ETF aims to track, not the actual past performance of the ETF. Index performance does not take into account ETF fees and costs. You cannot invest directly in an index. ETF may not have been in existence for entire period specified in the chart. Past performance is not an indicator of future performance.

Additional information

1. FRN yield and return is based on that of the Bloomberg Floating Rate Bond Index. FRN spread is its yield difference to the 30-day bank bill rate.
2. Hybrid yield refers to average yield on 5-year to call AT1 hybrids. Hybrid spread is the difference in the hybrid yield and the 30-day bank bill rate. Hybrid returns are gross returns, which include franking credits. The actual after-tax hybrid return for investors will depend on their overall tax situation and ability to benefit from franking credits.
3. 12-month forward RBA/Fed expectation is the market implied expected change in the RBA/Fed cash rate over the coming 12 months, based on interest rate futures.
4. Yields and returns relating to 5–10-year government and credit exposures related to the Bloomberg 5-10 Year maturity Australian Government Bond Index and the 5-10 Year Bloomberg Australian Credit Index.
5. The equity-risk premium is defined as the difference between the equity market's forward-earnings yield (reciprocal of the forward PE ratio) and the 10-year government bond yield.
6. Forward earnings yield is the market's level of forward earnings divided by the equity price index.
7. The price to forward earnings (PE ratio) is the ratio of forward earnings to the equity price index.
8. Forward earnings are a time-weighted pro-rata average of the expected level of earnings for the current and following financial year. The weight on next year's earnings in the calculation grows as the new year approaches.
9. Global equity total returns includes estimated reinvested dividends and are in local currency terms. Australian equity returns also include estimated reinvested dividends and are in Australian dollar terms.

Further information on the complete range of Betashares exchange traded products can be found [here](#).

Considerations when investing

Investment risk

The value of an investor's portfolio can go down as well as up. Risks include:

- Market risk with equities
- Currency risk with international investments
- Interest rate risk with cash and bonds.

No guarantees

Future outcomes are uncertain – desired return outcome may not be achieved.

General information only

Today's discussion does not take into account any person's individual circumstances and is not personal financial advice.

Professional advice

Investors should seek professional financial advice before investing.

Research

See relevant Product Disclosure Statement for more information about risks and other features of each fund and consider the relevant Target Market Determination which sets out the class of consumers that comprise the target market for the relevant fund.

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