

### Market Summary

Global equity markets in the March quarter posted their worst quarterly performance since the onset of pandemic two years ago, while the global bond market notched up its worst performance in at least three decades.

Media and market attention focused on two themes – Russia’s invasion of Ukraine, together with rising inflation & what this would mean for the pace & magnitude of central banks’ winding back of monetary policy stimulus.

After months of speculation, Russia on 24 February invaded neighbouring Ukraine, a former Soviet republic which declared its independence from Moscow in 1991. Western allies responded with financial & trade sanctions.

With a Russia a major exporter of oil, gas, wheat and other commodities, these events triggered significant volatility in energy and food markets. Benchmark Brent crude surged to multi-year highs near \$US140 a barrel in early March.

Central banks, who had already started to withdraw policy stimulus in the face of rising inflation, noted that the surge in prices for energy and other commodities represented a substantial relative price shock to the world economy.

The US Federal Reserve in mid-March raised its benchmark interest rate for the first time since 2018 and flagged a program of another six quarter increases in each of its remaining meetings in 2022.

The Bank of England followed a day later with its third rate increase since December, saying the war in Ukraine was likely to accentuate inflation. Likewise, the Reserve Bank of NZ made its third upward move in February.

The Reserve Bank of Australia, however, maintained its cash rate at the record low of 10 basis points, where it had been since November 2020, noting that while inflation locally had picked up it was still lower than in many other nations.

Regardless of the central bank actions, global bond markets had already responded to the inflation news by sending yields higher across the board. The Bloomberg Global Aggregate Bond Index (hedged to AUD) fell nearly 5% in the quarter, its worst quarter on record. Both term and credit premiums were negative.

Global developed market equities, as measured by the MSCI World ex-Australia index, fell more than 8% in AUD terms over the quarter, although outpacing the near 10% decline in emerging markets.

The Australian equity market bucked the negative trend elsewhere, finishing the quarter with a modest rise and underpinned by strong gains in leading energy and materials stocks.

### What Dominated The News A Quick Recap – January to March

#### JANUARY

- Bond Yields Surge as US Inflation Rate Jumps to a 40-Year High of 7%
- Eruption of Volcano in Tonga Triggers Widespread Tsunami Warnings
- Australia Revokes Visa of Tennis Star Novak Djokovic in Vaccine Row
- Russia Moves Troops Close to Border with Ukraine Amid Invasion Fears
- US S&P 500 Posts Worst January Performance Since 2009

#### FEBRUARY

- Russia Begins Full-Scale Invasion of Ukraine, Triggering Western Sanctions
- Brent Crude Prices Top \$US100 for First Time in Eight Years
- UN Report Warns Global Warming Outpacing Efforts to Protect Humanity
- RBNZ Raises Rates for Third Time Since October; RBA Opens Door to Hike
- Millions of Refugees Flee Ukraine as Russia Bombards Major Cities

#### MARCH

- International Criminal Court Starts Probe into Possible War Crimes in Ukraine
- NZ Police Break Up Three-Week Anti-Vaccine Mandate Protest in Wellington
- Conservative Yoon Suk-Yeol Narrowly Wins South Korean Presidential Election
- Federal Reserve Raises Rates for First Time Since 2018; Flags Six More in 2022
- US President Biden, in Poland, Warns Russia’s Putin Cannot Remain in Power

### Market Movement World Indices Wrap Up

#### FIXED INTEREST

	OTR	1 Year
Bloomberg AusBond Bank Bill index	0.01%	0.04%
Bloomberg AusBond Composite 0+ Yr Index	-5.88%	-5.55%
Bloomberg Global Aggregate Bond Index (hedged to AUD)	-4.98%	-4.01%

#### AUSTRALIAN EQUITIES

	OTR	1 Year
S&P/ASX 300 Index (Total Return)	2.08%	15.21%
S&P/ASX Small Ordinaries Index (Total Return)	4.21%	9.68%
S&P/ASX Australian BMI Value Index (gross div.)	5.93%	16.43%
S&P/ASX Australian BMI Growth Index (gross div.)	-1.92%	17.04%

#### GLOBAL EQUITIES

	OTR	1 Year
MSCI World ex Australia Index (net div., AUD)	-8.42%	11.60%
MSCI World ex Australia Index (net div., hedge to AUD)	-5.02%	10.85%
Hedging Premium	3.40%	-0.75%
MSCI World ex Australia Small Cap Index (net div., AUD)	-9.73%	-0.21%
MSCI World ex Australia Value Index (net div., AUD)	4.15%	11.98%
MSCI Emerging Markets Index (net div.,AUD)	-9.94%	-10.10%

#### REAL ESTATE

	OTR	1 Year
S&P/ASX 300 A-REIT Index (Total Return)	-6.72%	19.16%
S&P Developed REIT Index (net div., AUD)	-7.04%	20.80%