

### Market Summary

Global stocks and bonds staged a sharp recovery in the first quarter as signs that inflation is moderating encouraged hopes that central banks will soon begin to wind down their year-long cycle of tightening monetary policy.

Volatility picked up later in the quarter amid news of banking system problems in the US and Switzerland. Two regional US banks collapsed and troubled Swiss banking giant Credit Suisse submitted to a forced takeover by rival UBS.

The US Federal Reserve, which raised its rates benchmark twice in the quarter to 5%, adopted a more cautious approach following the banking turmoil, although markets were priced for at least one further increase in May.

With inflation showing signs of moderating, expectations were similar for other central banks. The Reserve Bank of Australia, which tightened for a 10th month in March, paused its cash rate at 3.6% in April. Its NZ counterpart was more aggressive, hiking its cash rate to a 14-year high of 5.25%.

Against that news backdrop, technology stocks reversed their recent downward course to lead equity markets higher in the first quarter, alongside consumer stocks. Financials and energy were among the worst performers.

Also in a reversal of recent trends, value stocks lagged growth across the board in the quarter. The size premium was flat in Australia, but negative elsewhere. Profitability was positive in Australia, but flat in other markets.

Bonds bounced back after a difficult 2022. While Real Estate Investment Trusts delivered a modestly positive performance over the quarter, they lagged broad equity indices.

The US dollar was broadly stronger over the quarter against the AUD and NZD, which left unhedged portfolios outperforming their hedged counterparts by about 2%.

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

#### JANUARY

- China Relaxes Covid Restrictions; Reopens Borders to International Visitors
- Jacinda Ardern Resigns as New Zealand PM; Succeeded by Chris Hipkins
- Softer US Inflation Data Stirs Hopes of Goldilocks Scenario for US Markets
- Bank of Japan Defies Market; Keeps Yield Curve Control Policy Unchanged
- US Govt Hits Debt Ceiling Amid Standoff Between Republicans and Democrats
- World Bank Warns Global Economy Risks Second Recession Within Three Years
- Australian Inflation Hits 32-Year High of 7.3%; Further Rate Rises Expected

#### FEBRUARY

- US Federal Reserve, Citing Easing Inflation, Scales Back Rate Increase to 25bps
- RBA Unveils Ninth Consecutive Cash Rate Increases, Warns Not Done Yet
- IMF Upgrades Global Economic Outlook as Inflation Eases
- US-China Tensions Escalate over Airspace Intrusions by Alleged 'Spy Balloons'
- Japan Names Academic Kazuo Ueda as Next Central Bank Governor
- US President Biden Visits Kyiv on One-Year Anniversary of Ukraine War
- Putin Blames Ukraine War on West, Suspends Nuclear Disarmament Pact

#### MARCH

- Fed's Powell Opens Door to Higher, Faster Rate Hikes After Strong Data
- RBA Hikes Rates for 10th Straight Month But Signals Pause Ahead
- Silicon Valley Bank, 16th Largest US Lender, Fails; Bank Shares Plunge
- Swiss Banking Giant UBS Buys Ailing Rival Credit Suisse in Forced Bailout
- Intergovernmental Panel on Climate Change Issues 'Final Warning'
- China's Congress Appoints Xi Jinping as President for Unprecedented Third Term
- Trump Criminally Charged in New York; First for a US ex-President

### Market Movement World Indices Wrap Up

	QTR	1 Year
<b>FIXED INTEREST</b>		
Bloomberg AusBond Bank Bill index	0.79%	2.04%
Bloomberg AusBond Composite 0+ Yr Index	4.60%	0.35%
Bloomberg Global Aggregate Bond Index (hedged to AUD)	2.38%	-5.48%
<b>AUSTRALIAN EQUITIES</b>		
S&P/ASX 300 Index (Total Return)	3.33%	-0.57%
S&P/ASX Small Ordinaries Index (Total Return)	1.88%	-13.19%
S&P/ASX Australian BMI Value Index (gross div.)	1.63%	-0.96%
S&P/ASX Australian BMI Growth Index (gross div.)	4.64%	-2.67%
<b>GLOBAL EQUITIES</b>		
MSCI World ex Australia Index (net div., AUD)	9.20%	4.31%
MSCI World ex Australia Index (net div., hedge to AUD)	7.14%	-7.57%
Hedging Premium	-2.06%	-11.88%
MSCI World ex Australia Small Cap Index (net div., AUD)	5.82%	2.08%
MSCI World ex Australia Value Index (net div., AUD)	2.15%	6.52%
MSCI Emerging Markets Index (net div.,AUD)	5.26%	0.12%
<b>REAL ESTATE</b>		
1 Year S&P/ASX 300 A-REIT Index (Total Return)	0.32%	-14.02%
S&P Developed REIT Index (net div., AUD)	2.68%	-10.95%
<b>WORLD MARKETS</b>		
1 Year S&P 500 Index	8.85%	3.46%
MSCI United Kingdom Index (net div.)	7.44%	11.18%
MSCI Europe ex UK Index (net div.)	13.33%	14.37%
Japan Nikkei 225 Average Index (price-only)	7.87%	14.37%
Shanghai Stock Exchange Composite Index	8.52%	4.15%