

Market Watch

March: Uncertainly over US Tariffs

- Rising fears of a global recession impacted global financial markets over the month, news was dominated with the US placing 25% tariffs on imports from Mexico and Canada and increasing tariffs on China.
- **Australian shares** returned -3.4% over the month with the banking sector down -2.1% but it was the Diversified financials sector hit the hardest down -11.1% and the Small Cap market was also down, returning -3.6%.
- **Global Shares** returned -5.0% on a hedged basis and on an unhedged basis returned -4.7% due to global trade tensions with US indices like the S&P 500 and Nasdaq Composite recording their worst quarterly returns since 2022.
- **Global small caps** were also down returning -4.0%. Global small caps outperformed large caps over the month, by in large due to their cheaper valuations.
- **Global emerging markets** returned a modest +0.4% over the month with India, Brazil and Chinese regions all performing strongly.
- **Global listed Property** (hedged) sector returned -2.8% outperforming the broader equity markets.
- **Listed Infrastructure** (hedged) sector returned +1.6% over the month due to the decline in real yields and elevated inflation expectations.
- **Fixed income** was mixed with Australian bonds up due to positive news on inflation with Australian bonds returning +0.2% after the February RBA interest rate cut. Global bonds returned -0.4% with US core PCE inflation rising higher than expected in February.
- The **Australian dollar** AUD was up slightly against USD due to uncertainty around tariffs and prospect of further Fed rate cuts.

Job Market:

U.S.

- The annual unemployment rate rose to 4.2% in March 2025, the highest level since November and slightly above market expectations of 4.1%. The number of unemployed individuals increased by 31,000 to 7.08 million.
- U.S. Non-farm payrolls rose by +228,000 in March, and the unemployment rate remained at 4.2 percent. The Labor force participation ticked down slightly in March at 62.5%.

Locally

- The Consumer Price Index (CPI) in Australia rose 2.4% in the 12 months to February 2025. The top contributors were Alcohol and Tobacco (+6.7%), Food and non-alcoholic beverages (3.1%), and Housing (+1.8%).
- Australia's seasonally adjusted unemployment rate remained at 4.1% in February 2025. Employment fell by 53,000 people and the number of unemployed by 11,000 people and the participation rate fell slightly to 66.8%.

Major asset class performance

Asset classes	1 month %	1 year %	3 years (p.a.) %	5 years (p.a.) %
Australian Shares	-3.4	2.8	5.6	13.2
Australian small companies	-3.6	-1.3	-0.8	10.2
Global shares (unhedged)	-4.7	12.3	14.7	15.8
Global shares (hedged)	-5.0	6.7	7.2	15.2
Global small companies (unhedged)	-4.0	4.4	8.1	13.0
Global emerging markets (unhedged)	0.4	13.2	8.0	7.6
Global listed property (hedged)	-2.8	3.6	-4.3	5.6
Listed Infrastructure (hedged)	1.6	13.7	2.5	8.3
Australian fixed income	0.2	3.2	1.7	-0.5
International fixed income	-0.4	3.7	0.2	-0.5
Cash	0.4	4.5	3.6	2.2

Source: Lonsec iRate, Rhombus Advisory, 31 March 2025.

Indices used: Australian Shares: S&P/ASX 200 Accumulation Index, Australian small companies: S&P/ASX Small Ordinaries Accumulation Index, Global shares (hedged): MSCI World ex Australia Net Total Return (in AUD), Global shares (unhedged): MSCI World ex Australia Hedged AUD Net Total Return Index; Global small companies (unhedged): MSCI World Small Cap Net Total Return USD Index (in AUD); Global emerging markets (unhedged): MSCI Emerging Markets EM Net Total Return AUD Index; Global listed property (hedged): FTSE EPRA/NAREIT Developed Index Hedged in AUD Net Total Return; Listed Infrastructure (hedged): FTSE Global Core Infrastructure 50/50 NR Index (AUD Hedged) Cash: Bloomberg AusBond Bank Bill Index; Australian fixed income: Bloomberg AusBond Composite 0+ Yr Index; International fixed income: Bloomberg Barclays Global Aggregate Total Return Index Value Hedged AUD

Please note: Past performance is not indicative of future performance.

Currency markets

Exchange rates	At close on 31/03	1 month change %	1 year change %	3 year change %
AUD/USD	0.62	0.6	-4.2	-5.8
AUD/GBP	0.48	-2.0	-6.3	-5.3
AUD/Euro	0.58	-3.5	-4.3	-5.1
AUD/Yen	93.55	0.2	-5.0	0.9

Source: Lonsec iRate, Rhombus Advisory, 31 March 2025.

All foreign exchange rates are rounded to two decimal places where appropriate.

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