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Market **Wrap**

MOGGS
ACCOUNTING + ADVISORY

March 2025

Economic and market overview

- **Global:** Tariffs continued to command market attention in March 2025. During the month, markets responded to newly announced retaliatory tariffs and nervously awaited 'Liberation Day' on April 2 where President Trump is set to unveil additional tariffs on imported goods.
- Investors increasingly anticipated the deflation of US risk assets and grew concerned around the growth outlook for the US, resulting in a flight to safety. This sentiment propelled the spot price of gold above $3,000/oz and saw the bullion close March ~8% higher at $3,122.80. It also saw credit spreads continue to widen (US HY widened 55bps over March).
- The MSCI World Index closed the month down -4.6% in USD terms, led by losses in US equity markets. European stocks had a bullish start to the month as major European economies pledged to increase defence spending in an effort to bolster its independence. Germany rolled back its debt brake as part of large-scale fiscal reforms undertaken post-election. In the back-half of March, economic uncertainty saw European markets erase earlier gains.
- The Global Manufacturing PMI reached an eight-month high in February at 50.6, up from 50.1 in January, though this may be (at least partially) attributed to front-loading ahead of potential tariffs. Global Services PMI cooled slightly, although still expansionary at 51.6.

- **US**: Trade tariffs came into effect for Canada, Mexico and China in early March, with a one-month exception for USMCA compliant goods. Concern for the economic growth outlook increased on the announcement of auto tariffs starting from early April as well as anticipation for the unveiling of reciprocal tariffs on April 2, dubbed "Liberation Day". The S&P 500 sold off heavily in the first half of March, crossing into correction territory before a short-lived and shallow recovery, followed by further declines at the end of the month. The index ended March down -5.8%.
- Core PCE inflation increased +0.37% MoM, stronger than consensus expectations of +0.3%. This was predominantly due to stronger airfares and translates to +2.8% YoY core PCE inflation.
- The jobs market saw the US adding 151k jobs, however a drop in participation and increase in the unemployment rate indicates that the labour market may soften further. The unemployment rate now sits at 4.1%.
- Consumer spending slowed markedly into the new year, rising just +0.1% MoM in February, after declining -0.6% MoM in January. The Conference Board consumer confidence index fell from 100.1 to 92.9 in March, weaker than consensus expectations.
- The Fed kept rates unchanged in March. Chair Powell suggested that the Fed was prepared to "look-through" inflation generated by tariffs and cut policy rates even if inflation stays above target. Chair Powell later confirmed to a reporter that the Fed's "base case" is that tariffs will likely be "transitory".

- **Australia:** The Federal Budget was released during the Month, with the overall fiscal impulse no larger than it was MYEFO from December 2024. Ongoing subsidy measures and a growing deficit indicate that financial markets will need to absorb a large bond issuance in FY26.
- February monthly CPI printed at +2.4% YoY, slightly softer than consensus expectations of +2.5% YoY and continuing the disinflation trend seen from Q4 2024. Core services maintained its downward trend and was at its lowest level in two years. Shelter inflation also continued to decline.
- Employment fell -52.8k in February, a surprise to consensus expectations of +30k jobs. Despite this, the unemployment rate remained unchanged at 4.1% due to deceased labour force participation driven by the older cohort not returning to the workforce. As such, the labour market remains tight.
- Retail sales in January rose in line with expectations, +0.3% MoM, and rose +3.8% seasonally adjusted against January 2024. This puts retail sales back above $37bn per month, supporting the narrative of nascent improvement in household consumption growth.
- Real GDP growth accelerated by +0.6% during Q4, in line with consensus estimates and +1.3% on an annual basis. Growth was delivered from both public and private sectors, with private sector growth driven by increased household consumption.

- **New Zealand**: December 2024 quarter seasonally adjusted GDP rose +0.7%, compared to a -1.1% fall in the September 2024 quarter. This officially lifts New Zealand out of a recession, however annual GDP to December 2024 was down -0.5%.
- Seasonally adjusted jobs in February were flat MoM, however, was down -35.1k jobs YoY driven by a decrease in construction jobs.

- **Europe:** The ECB cut interest rates by 25bps to 2.50% at the beginning of March, citing rising economic uncertainty and advised that future rate cuts will be largely dependent on the incoming economic and financial data. The Governing Council made a point to highlight that it is not committing to a particular rate path.
- The European Union annual inflation was +2.7% in February, down from +2.8% YoY in January. Inflation was +0.4% MoM, driven by services inflation.
- Following the news of German fiscal loosening, the Bund curve underwent massive bear steepening with the 2y yield up +21.3bps and the 10y yield +29.8bps higher. This was the largest daily move in Bunds since the fall of the Berlin Wall. The 10y Gilt yield rose +14.8bps and the 10y BTP yield was +27.60ps higher immediately following the announcement.
- Manufacturing headline PMI rose 1.1pts to 48.7 in March, ahead of consensus estimates of 48.2. Services PMI declined -0.2pts to 50.4, lower than consensus 50.7.

- **China:** Manufacturing PMI increased 0.3pts to 50.5, slightly above the consensus estimate of 50.4. The improvement can be attributed to post-Chinese New Year seasonality.
- Non-manufacturing PMI beat consensus of 50.6, printing at 50.8, a 0.3pt increase on last month. The services sector rebounded post-CNY and construction activity rose for the second month in a row.
- Economic activity indicators came in better-than-expected across the board. For the first two months of 2025, fixed asset investment is up +4.1% YoY, industrial production +5.9% YoY and retail sales +4.0% YoY.

Australian dollar

- After posting a -0.14% decline against the USD in February, the AUD ended March at 0.6247, up +0.76% on the month.
- Uncertainty around tariffs continued to breed caution and saw AUD investors largely holding steady ahead of April 2 announcements. The AUD oscillated around a 63c axis, trading within a narrow 2 cent range. The AUD hit a low of 0.6187 on March 4 and traded a high of 0.6391 on March 17.
- US data was back in focus as investors watch for signs of a slowdown. US Inflation on March 12 was softer than expected, which drove a rebound in risk and saw the AUD outperform. Mid-month, Trump and Putin reached a 30-day energy infrastructure ceasefire, though it wasn't enough to hold up risk sentiment as markets are aware that a full ceasefire may take some time to come to fruition, and the AUD headed back down below 63c.
- In local macro, a solid Q4 GDP print kept the AUD supported on March 5 and a soft monthly CPI print on March 26 confirmed that the disinflation trend is persisting.

Australian equities

- The ASX200 closed March down -4.0%, in line with the global equity sell-off and pervasive risk-off sentiment. The ASX Small Ords index declined -4.4%. All GICS sectors ended the month lower, with the exception of the utilities sector which closed flat.
- The tech sector saw the largest losses, with the sector group closing down -9.7% with notable declines in NXT (-15.2%), MP1 (-13.4%), WTC (-9.2%) and XRO (-9.4%).
- In line with global peers, Australian consumer discretionary names were also under pressure during March as sentiment broadly deteriorated and investors sought to understand tariff impacts. The sector group closed down -6.4%. Among notable decliners were LNW (-20.7%) and LOV (-17.5%). Only 3 of 22 stocks within the group ended the month flat or higher; JBH (+0.9%), TLC (+0.2%) and APE (flat). Despite its recent outperformance, JBH extended gains in March and outpaced its peers, ending March just north of $92/share.
- The financials complex moved -4.2% lower with the Big 4 banks and MQG all continuing their downtrend; MQG -13.2%, CBA -3.7%, NAB -3.6%, ANZ -2.4%, WBC -0.8%. The move came despite management changes announced at both NAB and WBC. NAB's CFO Nathan Goonan departed the business to take up the same role at Westpac. NAB appointed an interim CFO though has not yet announced Goonan's successor.
- The health insurers bucked the downtrend in the financials sector, with NHF (+2.5%) and MPL (+2.1%) both posting gains.
- On the M&A front, JHX announced its intention to acquire NYSE listed AZEK, a US building products manufacturer specialising in outdoor living home products. The transaction is a mix of cash and script worth US$8.75bn, with AZEK shareholders receiving James Hardie shares on the NYSE. James Hardie's ASX-listed shares traded down -14.4% on the day of the announcement. JHX closed the month down -24.0%. The deal remains subject to AZEK shareholder approval.
- Elsewhere, CoStar increased its bid for Domain, offering $4.43 per share as its best and final offer. DHG shares fell -4.9% on the day, while NEC which owns 60% of DHG, traded down -1.6%.

Global equities

- Global equity markets were notably volatile in March amid widespread uncertainty around global trade policy and concerns around the outlook for both growth and inflation. The MSCI World Index ended the month -4.6% lower.
- The S&P500 fell -5.8% over the course of March, taking its quarterly decline to ~5%. The Dow Jones fell -4.2% through the month, while the tech-heavy NASDAQ ended -7.7% lower.
- US stocks entered correction territory around mid-month, driven by a growth and mega-cap unwind, though the S&P partially retracted thereafter. All GICS sectors ended the month in the red, with the exception of Energy which rallied +3.8% and Utilities which was near flat. The gains in Energy came as investors rotated into value-oriented sectors and amid tighter US sanctions on both Iran and Russia, as well as broader policy support for the sector.
- US consumer discretionary names lagged following the implementation of new tariffs and a steep drop in consumer confidence, with the S&P sector gauge down ~9% over the month. LULU (-22.6%), NKE (-20.1%) and DECK (-19.8%) were among the largest decliners in the index.
- Tech names were also weak, with the S&P Information Technology group closing March down -8.9%. In particular, the Mag7 drawdown challenged previously bullish positioning; META -13.7%, NVDA -13.2%, TSLA -11.5%, AMZN -10.4%, GOOGL-9.3%, AAPL -8.2%, and MSFT -5.4%.
- European equities also declined, though to a lesser degree than their US counterparts, as the market balanced increased defence and infrastructure spending (particularly in Germany) with tariff risks. The Stoxx600 ended the month down -4.2%, the FTSE100 fell -2.6% and the German DAX declined -1.7%.
- Asian markets were mixed – the MSCI Asia Pacific Index ended the month down -0.7%, Hong Kong's Hang Seng advanced +0.8%, while Japan's Nikkei fell -4.1%. The Hang Seng was buoyed by robust performance from Chinese tech names following the emergence of DeepSeek, as well as an increase in mainland investment.

Property securities

- After a strong start to the year, Global property securities had a weaker March given tariff and inflation concerns, ending the month down -2.0%.
- The Asia Pacific region was the best performer up 0.7% in the month, led by China/HK, managing to improve on the positive returns YTD.
- Americas region declined on stagflation concerns, being down -3% in the month, reversing the gains in January and February.
- Europe/UK was flat (+0.2%) for the month, after having a strong start to the year with ~3% positive returns in Jan/Feb
- Locally, AREITs were down -5% in March, following -7% decline in February given the sell-down led by GMG, following higher global inflation concerns as well as a data center demand concerns. Excluding GMG, the sector was down a more moderate ~2%.

Fixed income and credit

- There was plenty of volatility in the fixed income space during March, however a very clear US stagflation cloud looms over the economy and this was reflected in the price action. US 10y sold off initially and then rallied back over the remainder of the month to end completely unchanged. US 2y Treasuries however rallied on growth concerns, leaving US 2s10s 10 basis points steeper.
- US bonds were in strong focus over the month, with investors weighing up a potential increase in inflation with a deterioration in growth sentiment off the back of US policy changes.
- AU rates remain caught up in the large global risk off moves. The market still expects multiple RBA cuts this year, in line with the shifts in expectations around global central bank easing.
- Credit spreads continued to widen over March (despite getting some reprieve mid-month) in line with broader softness in risk assets following growth concerns in the US. HY widened 55bps over March and has now widened 87bps since the beginning of of February. Whilst still tight relative to historic levels, there is some concern that the move reflects a turnaround in multi-year credit performance.

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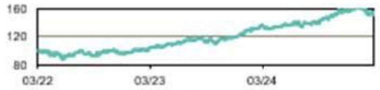
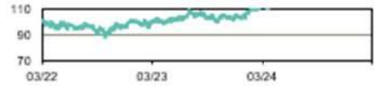
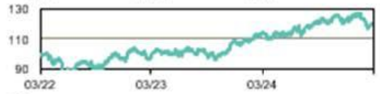
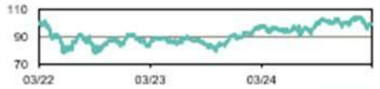
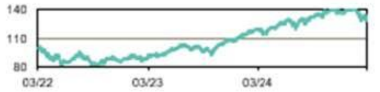
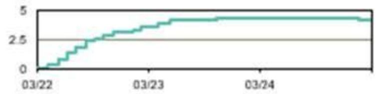
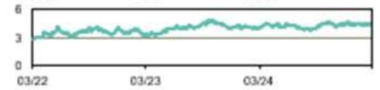
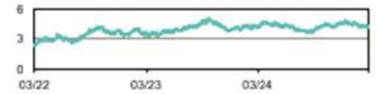
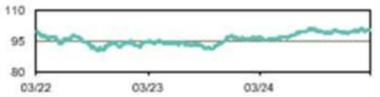
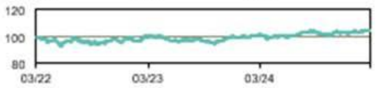
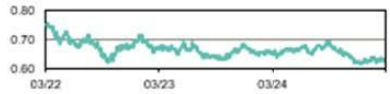
MARKET WATCH DATA SHEET

		1 Month Return / Change	3 Month Return / Change	1 Year Return / Change	3 Year p.a. Return / Change	3 Year chart
Equities	*Points*					
MSCI World (AUD)	6,522	-4.60%	-2.32%	12.55%	15.03%	
MSCI Emerging Markets (AUD)	1,276	0.46%	2.34%	13.75%	8.44%	
ASX 200	7,843	-4.02%	-3.87%	-0.68%	1.51%	
ASX Small Ordinaries	3,000	-3.60%	-2.00%	-1.26%	-0.82%	
S&P 500 (USD)	5,612	-5.63%	-4.27%	8.25%	9.06%	
REITs	*Points*					
ASX 200 A-REIT	1,593	-4.89%	-6.82%	-5.42%	3.59%	
FTSE EPRA/NAREIT Developed (AUD)	2,787	-2.79%	0.66%	3.55%	-4.26%	
Cash & Fixed Income						
Official Cash Rate Australia	4.10%	0.00%	-0.25%	-0.25%	-	
10-year Yield Australia	4.38%	0.09%	0.02%	0.42%	-	
10-year Yield US	4.21%	0.00%	-0.36%	0.00%	-	
Bloomberg Global Aggregate Index, AUD Hedged	-	-0.44%	1.14%	3.72%	0.17%	
Bloomberg AusBond Composite 0+ Year Index	-	0.17%	1.29%	3.20%	1.67%	
Foreign Exchange	*US$*					
AUD/USD	0.6247	0.61%	0.95%	-4.20%	-5.84%	

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