



# NEWSLETTER

March 2024



## Introduction

March 2024 has seen notable activity in share markets both in Australia and the United States, with each market trending higher. The Australian residential property market is riding a wave of increasing housing values. Perth remains the best performer while Hobart saw a negative growth. The RBA has kept interest rates unchanged amidst sticky inflation. Read on to find out more.



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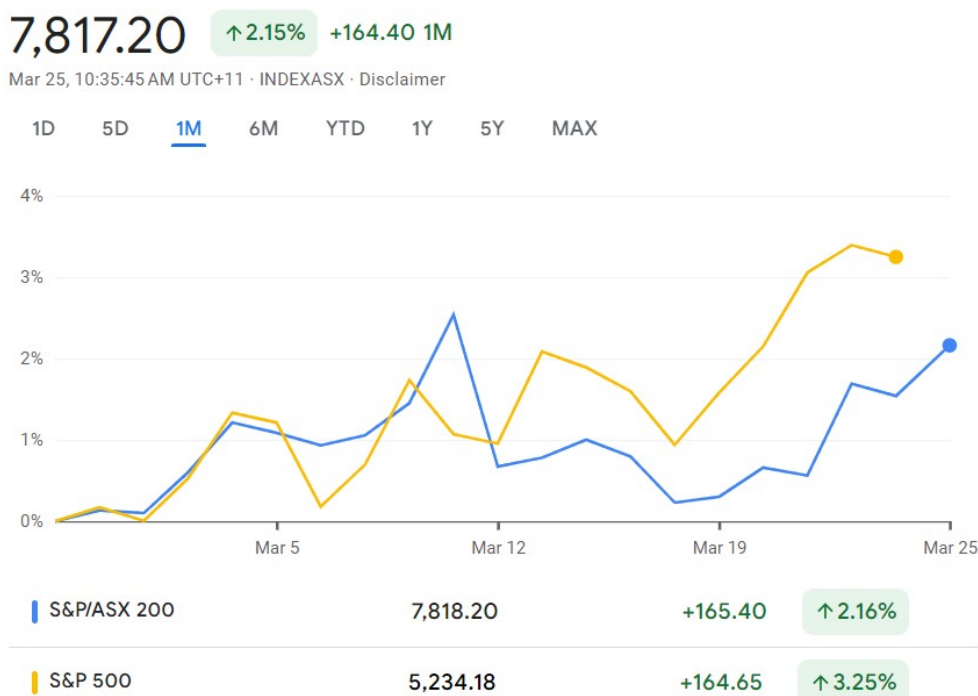
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# The Share Market

March 2024 has been a telling month for share markets both down under in Australia and in the United States. Let's unpack the movements and the forces behind them.



Source: Google Finance

In the Australian corner, the ASX200 had a walkabout with slight dips and steady climbs, ending the month higher despite a mid-month wobble. Across the Pacific, the S&P500 seemed to ride a roller coaster, with higher peaks and sharper valleys, yet it too managed an overall rise.

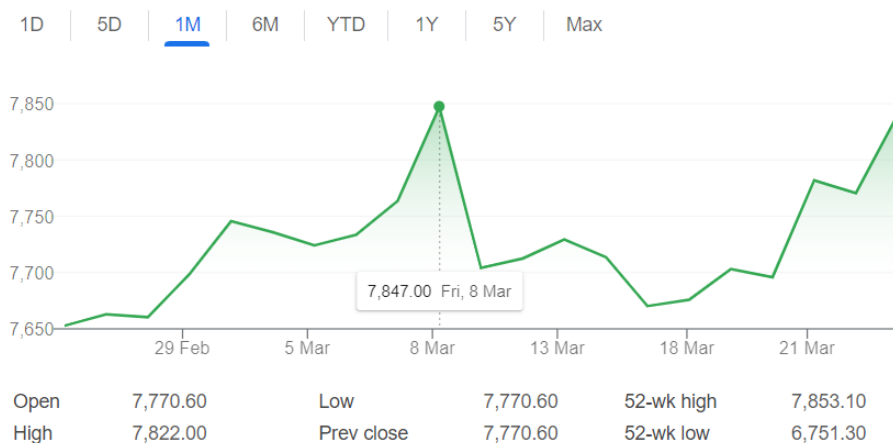
Let's drill into the ASX200 a little further. It starts off a bit shy of 7,700, and by the end of the month, it's climbed up past 7,800 – a fair bit of ground covered.

Market Summary > S&P/ASX 200

**7,839.70**

+186.90 (2.44%) ↑ past month

25 Mar, 11:19 am AEDT · Disclaimer



Source: Google Finance

Now, the big talk around the water cooler would be that huge jump around the 8th of March, where the number shot up to a historical high of 7,847 points rather quickly, only to come tumbling down again just as fast over the next few days. The market had a sudden rush of excitement, likely caused by the new highs set by the big four banks, namely CBA, NAB, Westpac and ANZ. The rally happened after the US Federal Reserve Chairman, Jerome Powell, suggested that the Fed is close to considering inflation pressures as being under control.

After that bit of excitement, things were pretty calm for a while; just your normal ups and downs. But before the month wrapped up, the ASX 200 got a second wind and ended on a high note, which is always good to see.

The ASX200 took a bit of a tumble early in the month, possibly as investors digested news from central banks and assessed the impacts of global events on Aussie shores. However, it wasn't all downhill. A surge was seen after the Reserve Bank of Australia (RBA) decided to keep interest rates steady (more on this later), hinting at potential rate cuts down the line, sparking investor optimism.

The banking sector proved to be a mixed bag over the month with big players like CBA and Westpac showing varied performance as they navigated the interest rate pressure and the broader economic conditions. The energy sector had its moments in the sun and the shade, influenced by fluctuating oil prices and global supply concerns.

Iron ore, a key export for Australia, and thus a significant player in the ASX200, saw its price rise due to strong industrial production data from China, giving mining giants a much-needed lift. These fluctuations are a testament to the market's sensitivity to commodity prices and international demand.

Let's now turn our attention to S&P500's March story. The S&P500, known for being a bit more energetic, certainly lived up to its reputation.

Market Summary > S&P 500

**5,234.18**

+164.65 (3.25%) ↑ past month

22 Mar, 5:01 pm GMT-4 • Disclaimer

1D | 5D | **1M** | 6M | YTD | 1Y | 5Y | Max



Open	5,242.48	Low	5,229.87	52-wk high	5,261.10
High	5,246.09	Prev close	5,241.53	52-wk low	3,909.16

Source: Google Finance

The S&P 500, which represents 500 of the largest companies listed on stock exchanges in the United States, saw some notable movements throughout the month. We're starting off just above 5,050 and ending past 5,200—that's a decent jump. The line goes up and down on its way there but the overall direction is up thanks to the relatively sharp increase right near the end of the period.

The index experienced volatility, which could be connected to a variety of economic factors. March saw some key financial reports from major corporations that beat expectations, leading to a surge in investor confidence. The Nasdaq, heavily influenced by tech stocks, posted significant gains, indicating a strong performance in the tech sector which often drives the S&P 500 trends. For example, Nvidia, a significant player in the tech/AI sector, exemplified this momentum with their continuing upward share price in March.

Additionally, global events and economic data releases during the month could have played a role in the index's performance. The Fed's decision to hold interest rates explains the upward trend towards the end of March. Economic policies and consumer sentiment are critical drivers of the market, and positive news on these fronts can lead to more significant investments and higher stock prices.

In recent times, announcements from central banks across the globe about interest rates have significantly impacted the share market. In March, much of the focus in the financial world was on the decisions made by these institutions, notably the Federal Reserve in the United States.

The Fed held its second Federal Open Market Committee meeting of the year, concluding on 20 March 2024. Markets were largely anticipating the Fed's decision, with expectations leaning towards maintaining the current interest rate level. This decision holds weight as it affects the cost of borrowing money, impacting both consumer spending and business investments.

The futures markets had priced in a low probability of an interest rate cut in March, showing less than a 3% chance. This is significant as interest rates influence the overall economic environment, affecting everything from the bond yields to the stock prices. Higher interest rates typically mean higher borrowing costs, which can slow economic growth and potentially dampen market enthusiasm.

Analysts keep a close eye on various economic indicators, such as the inflation rate, to gauge the Fed's future moves. Federal Reserve Chair Jerome Powell has emphasised that decisions will be data-dependent, particularly focusing on the progression towards the 2 percent inflation objective.

On the global stage, central banks have been wrestling with inflation and its impact on their economies. Over the past couple of weeks, the European Central Bank, The Bank of Canada and the RBA also decided to maintain their rates. These decisions, collectively, can have ripple effects across the share markets globally as they affect international investment patterns, currency exchange rates, and global trade dynamics.

The Fed's decisions often draw particular attention due to the size and influence of the US economy. While there was no rate cut from the Fed in March, futures markets indicated a possible cut later in the year, which could impact market expectations and investment decisions. The synchronisation of these monetary policies can impact everything from exchange rates to export competitiveness, affecting operational costs, investment returns, and economic stability.

## The Residential Property Market

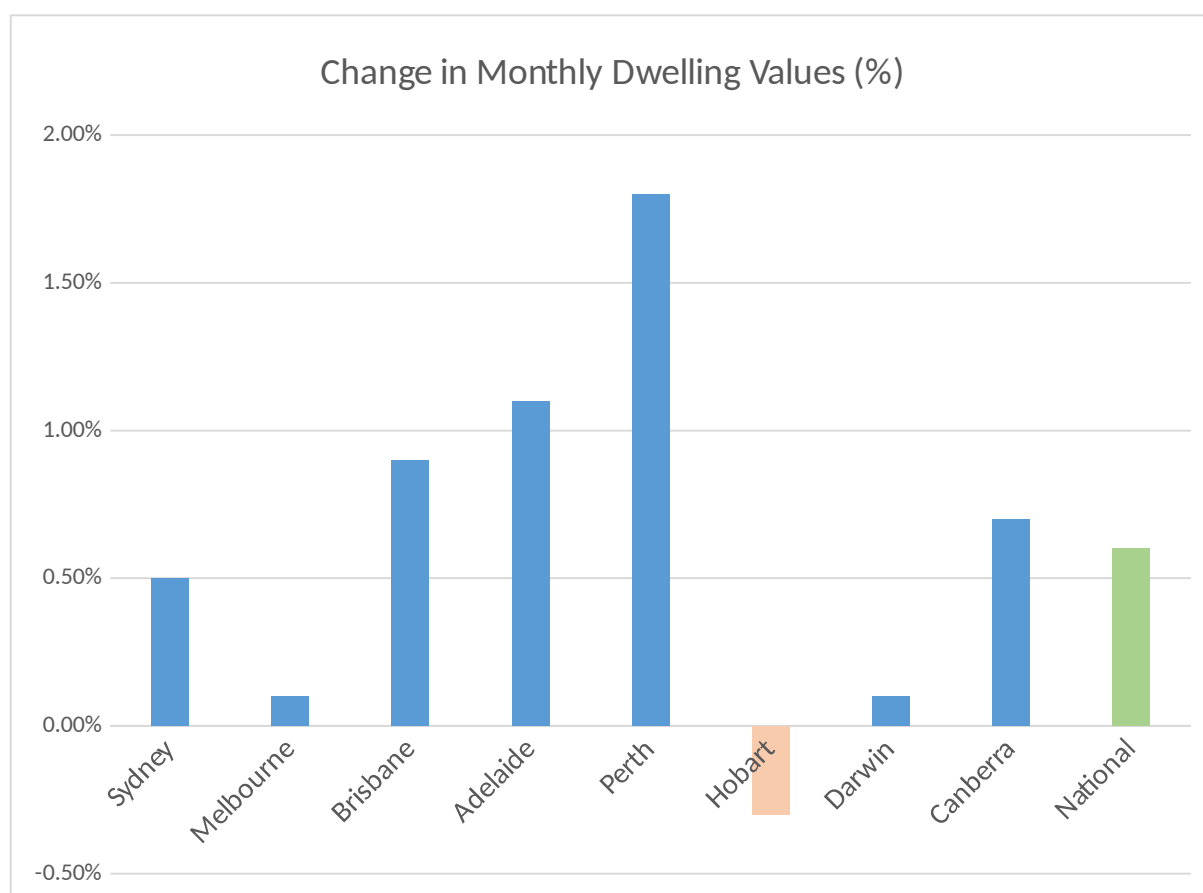
The Australian housing market continues to show resilience while wading through the impacts of interest rates, inflation, and varying regional performances. Property values nation-wide have generally shifted into a positive phase, even with high interest rates. It seems the anticipation of potential rate reductions and the relaxation of inflation have nudged prices upward in every capital city during the quarter, apart from Hobart, and arguably Melbourne.

February 2024 saw a notable uptick in the national home value index, marking a 0.6% increase - the most significant monthly gain since October last year. This growth wasn't isolated, as nearly all capital cities and rest-of-state regions experienced a rise in housing values, with Hobart being the sole exception, where values dipped by 0.3%. Such an across-the-board increase underscores the market's overall resilience amid challenges like high interest rates and living costs.

Perth emerged as a standout again, with a growth rate of 1.8%, attributing its success to a blend of relatively lower housing prices and positive demographic shifts. Other regions like Adelaide, Brisbane, and regional areas across South Australia, Western Australia, and Queensland also displayed strong monthly growth rates, showcasing the diverse dynamics at play across the country.

### City-specific Highlights

Let's take a closer look at how each city is doing. With the help of [CoreLogic's Hedonic Home Value Index report](#), we can see that every city has its own journey in the housing market.



Source: Based on CoreLogic's Home Value Index for February 2024

- **Sydney's** home prices went up a bit by 0.5%, and the number of homes sold at auction jumped to 73%.
- **Melbourne's** home prices slightly rose by 0.1% in February, ending a period of three months where prices were dropping.
- **Brisbane** shined with home prices increasing by 0.9%, although this growth is starting to slow down a bit.
- **Adelaide** kept up its strong streak with a 1.1% increase in home prices, proving it's been doing really well since the pandemic started.
- **Perth** continued to see rapid growth in home prices with a 1.8% rise in February, and rents went up a lot too.
- **Hobart** had some trouble, with home prices going down, keeping up with the tough times it's been facing since the start of 2022.

## Market Sentiment and Auction Clearances

The housing market's health is further evidenced by more homes being sold at auction, with the clearance rate jumping from around 55% to over 65% in February. These positive changes show that buyers and sellers are agreeing more on prices, and it means families are feeling more confident about making major financial decisions like buying a house, despite the relatively high interest rate.

## Rental Market Reacceleration

The rental market has picked up speed again. At the start of 2024, we saw rental prices jump by 0.9% in February, the biggest increase since last March. This rise is partly because of the time of year, as rent often goes up faster in the first few months. But there's more to it than just the seasonal trend. The yearly growth rate for rents went from 8.1% last October to 8.5% by February. This shows that more people are looking to rent homes, especially houses that stand alone.

## Housing Turnover and Affordability

Even though we're seeing some good signs, the number of houses being bought and sold isn't quite hitting the mark we've seen over the past five years, potentially because of housing affordability. Across the country, the number of home sales in the three months up to February went up by 4.7% from last year, but it's still 5% lower than what we usually see over a five-year period. This means the housing market is buzzing, but the high prices might be making it harder for people to buy.

## Looking Ahead: Market Outlook and Diversification

The outlook for housing values in 2024 has brightened somewhat, with prices starting to rise faster and people feeling more hopeful about making a purchase. Everyone's watching for possible cuts to interest rates and lower-than-expected rises in the cost of living, which could make things look even better. However, housing affordability remains a significant challenge, especially as lenders maintain a cautious approach toward borrowers, especially those with high debt-to-income ratios (i.e. you owe a lot compared to how much you earn).

What's happening in the housing market is going to be different depending on where you are. Perth looks like it's going to keep doing well because it has a solid base for growth, but Hobart might have a tougher time because of housing affordability (following a significant period of overperformance between 2017 and 2022) and people migrating away from Tasmania (according to the latest ABS population data). If you are an investor, it may be time to start diversifying your property portfolio, if you haven't already done so.



## Inflation and Interest Rates

On 19 March 2024, the RBA made a pivotal decision to keep the cash rate target unchanged at 4.35% and the interest rate on Exchange Settlement balances steady at 4.25%. This decision comes at a time when inflation, although moderating, continues to significantly affect Australians, remaining stubbornly high. The Board aims to establish a more sustainable balance between demand and supply, focusing on gradually easing labour market conditions and managing wage growth, which, although picking up, is expected to moderate.

The RBA has adopted a new meeting schedule, aligning its timing with significant global counterparts like the Fed. Both the RBA and the Fed decided to keep interest rates unchanged. Similarly, the European Central Bank's recent decision to maintain interest rates signals a critical phase in the global economic cycle—potentially indicating that the peak of the interest rate cycle in Europe might have been reached.

On the other hand, China's economic goals, particularly its ambitious GDP growth target, add another layer of complexity, given it is Australia's largest trading partner. Achieving this target amidst a weak property sector and low housing confidence requires substantial government stimulus. For Australia, this could mean the price of imports from China might rise, contributing to domestic inflation. Additionally, if inflation affects China's economic growth, demand for Australian exports, particularly commodities like iron ore and coal, could diminish, impacting Australia's trade balance and economic growth.

The UK and Japan face their own economic hurdles, with the UK grappling with a technical recession and sticky inflation, complicating the Bank of England's ability to cut rates to support growth. Japan's situation is slightly different, showing signs of economic strain despite narrowly avoiding a technical recession. These global narratives provide a backdrop to Australia's economic challenges and decisions due to our trade relationships.

Inflation in Australia is easing, somewhat mirroring global trends. Recent data suggests a silver lining, with inflation showing signs of moderation, aligning with the RBA's forecasts. The headline monthly Consumer Price Index (CPI) indicator steadied at 3.4% over the year to January, signalling that price hikes for goods are slowing down, thanks to the RBA's prior interest rate adjustments. However, the cost of services—such as haircuts, dining out, or getting your car serviced—remains on the higher side. The economy is still feeling the effects of demand and cost pressures.

The job market shows signs of easing but remains tighter than the RBA would prefer for achieving its goals of full employment and keeping inflation in check. Wage growth saw a slight uptick in the December quarter but is expected to moderate, suggesting that the impact of higher interest rates is filtering through the economy. For wage growth to align with the RBA's inflation target, productivity needs to increase.

The economic outlook is coloured with uncertainty. Household consumption is weak, affected by inflation and the rise in interest rates. Despite these challenges, the RBA projects inflation will return to its target range of 2–3% by 2025, indicating a long-term strategy to stabilise the economy.

Returning inflation to the target range remains the RBA's priority, underscoring its commitment to price stability and full employment. This goal ensures that Australians can navigate their economic futures with a reasonable level of confidence.



# The Legal Stuff

## General Advice Warning

The above suggestions may not be suitable to you. They contain general advice which does not take into consideration any of your personal circumstances. All strategies and information provided on this website are general advice only.

We recommend you seek personal financial, legal, credit and/or taxation advice prior to acting on anything you see on this website.

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