Antipodean Advisory

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2021 March Market Wrap

Thursday 1 April 2021

The first quarter of 2021 was filled with action. The ASX200 was up 4.26% for the quarter and 37.47% for the last 12 months. Several major equity indexes have eye popping yearly returns.

Australia was its first drop in population since World War 1, the Australian population declined by 4,200 in Q3 2020.

Total Employment in Australia is just 1,800 below pre-pandemic levels, given the disruption over the past year this is an outstanding result.

Australia house prices continue to break records, February saw the biggest jump in home prices in 17 years (National home prices surged 2.1% in February). March saw the biggest jump in home prices in 32 years, National home value index recorded a 2.8% rise the fastest rate of appreciation since October 1998 (3.2%).

There is a sea change in participants in share trading. An estimated 400,00 new entrants in a year in Australia, many under 25, have enjoyed strong markets, cheap trading platforms and a fun online activity.

Bond Markets did not come to the party, with the index down 4% for the quarter. With the yield curve steepening with back-end yields selling off on concerns of a spike in inflation.

Two concerns have emerged both should be watched:

- First was the emergence of another wave of Covid cases in Europe. The pace of vaccination has been too slow and Covid variants have taken hold, driving an increase in new daily cases across the EU. There are some emerging signs that the early removal of restrictions in the US may see growth in new cases in some states.
- The second issue is growing scepticism over the Fed's ability to keep rates low for an extended period, despite its reiterated stance. The risk here is of a sharp bond sell-off which contaminates equities.

The bearish argument is that economic momentum peaks in the next month with strong growth already priced in and the emerging risk of another Covid wave affecting demand.

The bull case is that the market cycle continues, supported by a strong economy, even as the momentum of growth slows. This is supported by the notion that we are in the early phase of the recovery, with corporate earnings picking up and no sign of tightening.

Outlook

- 10 Year Bond yield have stabilised.
- A battle is emerging between this liquidity support versus the reality of growth and rising inflationary pressure.
- It appears the liquidity that help support tech name in the US is unwinding.

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If you have any questions do not hesitate to contact me.

Stay Safe, Happy and Healthy

Summary of Major share indices

Index	1 Month	52 Weeks	YTD
DJIA	+5.47%	+57.48%	+7.76%
Nasdaq	+1.92%	+79.97%	+2.78%
S&P 500	+4.01%	+60.81%	+5.77%
Russel 2000	+0.58%	+107.14%	+12.44%
Europe 600 Index	+3.91%	+38.24%	+7.66%
UK FTSE 100 Index	+0.57%	+23.08%	+3.92%
Hong Kong Hang Seng	-5.03%	+22.93%	+4.21%
Japan Nikkei 225	-1.29%	+61.52%	+6.32%
China Shanghai Composite	-3.77%	+25.87%	-0.90%
India S&P BSE Sensex	-3.76%	+75.16%	+3.68%
ASX 200 (Australia)	+2.44%	+37.47	+3.09%

Australian Dollar

	Close	52 week Range
AUD	0.7592%	0.5512-0.8008%

Government Bonds

	Close	52 week Range
US 3 Month Bill	0.025%	0.003-0.298%
US 10 Years Note	1.745%	0.502 – 1.778%
US 30 Years Bond	2.414%	1.124 – 2.515%
Australia 10 years	1.816%	0.675-1.919%

Source: Wall Street Journal.