Antipodean Private Pty Ltd
100 Harris Street
Pyrmont NSW 2009
Phone: 1300 101 250
Mobile: 0438 893 571
Email: michael@antipodeanadvisory.com

2022 March Market Wrap

Friday 1 April 2022

March was a month full of market-moving headlines, FOMC meeting, Biden and Xi meeting Ukranine/Russia developments, and Covid lockdowns in China.

All eyes were on Fed Chair Powell as he delivered the first Fed rate hike since 2018, a 25bp hike that felt well-telegraphed. Powell managed to strike a much-needed balance between stressing the urgency of addressing inflation while also instilling confidence in the strength of the economy. With the Fed now poised to deliver seven rate hikes this year based on the most recent dot plot, the question now becomes how and when we'll see the Fed reduce its balance sheet. This upcoming QT cycle serves as unchartered waters for many investors that have successfully navigated markets supported by QE over the past decade.

Markets around the world posted gains with the S&P 500 and Nasdaq 100 posted their largest weekly gains since November 2020. Could this merely be a short-lived relief rally or has the market finally digested what has been a myriad of macro headwinds?

Taking all of this into account, bulls and bears continue to debate where this market will land come year-end. The case for the upside argues that many of the macro headwinds that have pressured stocks are either abating or are properly priced into the market. Many believe that covid is finally behind us as the world shifts to endemic status. Of course, bears point out one can never be so certain that we are 'out of the woods' from covid just yet. News of an evasive Omicron variant spreading across China led the Chinese government to send over 37 million people into lockdown.

Many remain split on whether European and Asian equities are trading cheap enough to dive back in or if this could be the new normal for a permanent de-rating based on lingering geopolitical and government risks. Within US equities, while bulls can argue that the Fed's plan for raising rates may be well understood by the market, bears are pounding the table on the dangerous consequences of an unknown QT cycle on the horizon.

A continued rise in 10-year US government bond yields (up 55bps last week to 2.37%) has taken them back to the top end of a 30-year downward trend. Australian Government ten years bonds yield up 71 bps to 2.85%. The consensus is bearish with yield expected to hit 3%. The rise in 10-year yields signals that the US market is still not of the view that we are entering a downturn. This may explain why equities have been able to rally through this increase. It also is starting to provide a true reflection of risks in bond yields. The removal of Reserve Bank purchasing of bond in the US and Australian removes the masking to provide a true market lead yield.

While real yields are still negative, bonds are starting to price the true cost of inflation and risk, to show/determine a true risk-free rate for meaningful valuations of assets. This will be the first time in over a decade due to Reserve Banks bond purchasing programs.

Finally, the other surprise for the month was the strength of the Australian dollar up four cents just in time for everyone overseas trips.

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

Antipodean Private Pty Ltd
100 Harris Street
Pyrmont NSW 2009
Phone: 1300 101 250
Mobile: 0438 893 571
Email: michael@antipodeanadvisory.com

Summary of Major share indices

Index	1 Month	52 Weeks	YTD
DJIA	+2.61%	+4.60%	-4.57%
Nasdaq	+5.04%	+5.49%	-9.10%
S&P 500	+3.83%	+12.70%	-4.95%
Russel 2000	+1.86%	-8.15%	-7.80%
Europe 600 Index	+4.23%	+5.47%	-6.55%
UK FTSE 100 Index	+3.82%	+11.55%	+1.78%
Hong Kong Hang Seng	-2.09%	-23.99%	-5.99%
Japan Nikkei 225	-1.76%	-10.57%	-8.87%
China Shanghai Composite	-6.58%	-10.65%	-6.18%
India S&P BSE Sensex	+6.29%	+17.07%	+0.54%
ASX 200 (Australia)	+5.28%	+9.63%	+0.57%

Australian Dollar

	Close	52-week Range
AUD	0.7491%	0.6967-0.7892%

Government Bonds

	Close	52-week Range
US 3 Month Bill	0.497%	0.003-0.682%
US 10 Years Note	2.377%	1.132 – 2.547%
US 30 Years Bond	2.484%	1.665 – 2.649%
Australia 10 years	2.856%	1.069-2.917%

Source: Wall Street Journal.