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2023 March Market Wrap

Tuesday 2 April 2024

March was another good month for the market, locking in good returns for the first quarter of 2024. In an environment where "hot" data has been seemingly welcomed by the market as investors look past the bumpy disinflation path toward eventual rate cuts. Indeed, "hard/soft/no landing" risks may be defined by the labour market and given its evident resiliency, it's clear why many struggle to see the economy materially slow when consumers have jobs that allow them to support corporate balance sheets.

The Bank of Japan ends 15 years of negative interest rates and other easing measures as its first step toward "normalizing monetary policy." This is a notable change as Japan has been a major buyer of US treasuries for many years helping fund US deficits. As the slow process to normal rates starts, the flow of funds to US treasuries from Japan will be watched with interest.

This week we get more RBA speak, under the new system of RBA Governance. Aim to provide greater clarity on Monetary Policy to comply with the RBA's mandate for price stability and full employment.

"Recent information suggests that inflation continues to moderate, in line with the RBA's latest forecasts. The headline monthly CPI indicator was steady at 3.4 percent over the year to January, with momentum easing over recent months, driven by moderating goods inflation. Services inflation remains elevated and is moderating at a more gradual pace. The data are consistent with continuing excess demand in the economy and strong domestic cost pressures, both for labour and non-labour inputs."

"Higher interest rates are working to establish a more sustainable balance between aggregate demand and supply in the economy. Accordingly, conditions in the labour market continue to ease gradually, although they remain tighter than is consistent with sustained full employment and inflation at the target. Wages growth picked up a little further in the December quarter, but appears to have peaked with indications it will moderate over the year ahead. Nevertheless, this level of wages growth remains consistent with the inflation target only on the assumption that productivity growth increases to around its long-run average."

Productivity growth appears to be the key risk for the RBA. Current wage bargaining has been about catching up for past inflation, with little or no talk around productivity in agreement as a trade-off for an increase.

Australian households are feeling the pinch. "In the current environment, real household disposable income per capita is one of the best measures of how Australian households are feeling." It calculates income after taking account of inflation and population growth, and after taking account of taxes and mortgage payments.

"Households have been dealing with the cost of living challenges that elevated inflation and rising interest rates impose."

"At the same time, bracket creep is ratcheting up the average rate of tax paid, while aggregate measures of income and economic growth are being driven by population growth, not productivity."



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Real gross household disposable income per capita

Index, March 2007 = 100

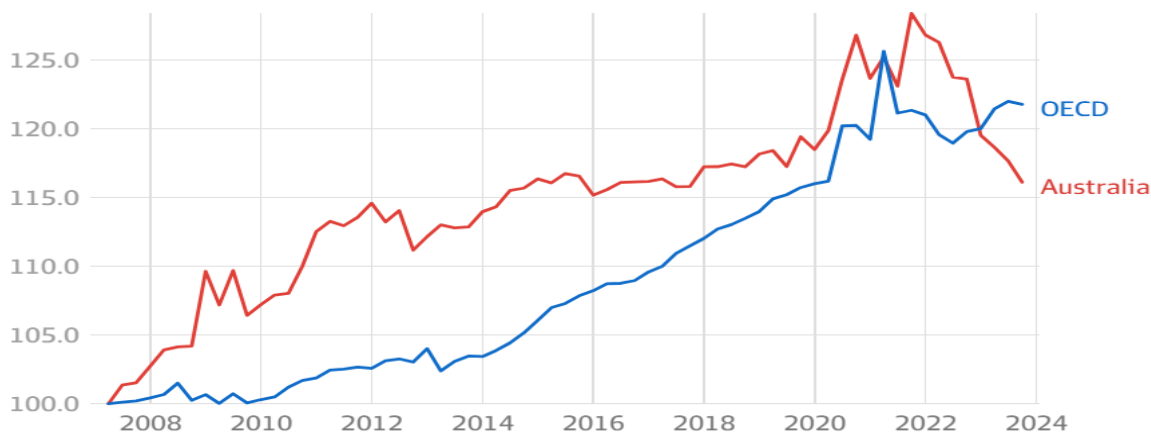


Chart: Michael Read • Source: OECD; Financial Review

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

Summary of Major share indices

Index	1 Month	52 Weeks	YTD
DJIA	+1.23%	+18.91%	+4.98%
Nasdaq	+0.75%	+34.16%	+9.23%
S&P 500	+2.08%	+27.61%	+9.94%
Russel 2000	+1.27%	+16.66%	+3.74%
Europe 600 Index	+3.65%	+12.71%	+7.03%
UK FTSE 100 Index	+4.23%	+4.36%	+2.84%
Hong Kong Hang Seng	+0.18%	-18.55%	-2.97%
Japan Nikkei 225	-0.76%	+41.21%	+18.97%
China Shanghai Composite	+1.25%	-6.64%	+3.44%
India S&P BSE Sensex	+0.37%	+25.47%	+2.46%
ASX 200 (Australia)	+3.27%	+16.80%	+5.33%

Australian Dollar

	Close	52-week Range
AUD	0.64.89%	0.6269-0.6901%

Government Bonds

	Close	52-week Range
US 3 Month Bill	5.359%	4.698-7.959%
US 10 Years Note	4.318%	3.261-5.022%
US 30 Years Bond	4.449%	3.526 – 5.183%
Australia 10 years	3.976%	3.194-5.002%

Source: Wall Street Journal.