

# Market wrap



## February: Global Shares Dominate

- February saw solid returns, particularly for Global Shares.
- Global Shares** on an unhedged basis gained 5.9%. Global shares on a hedged basis gained 4.7%. Momentum as a factor was exceptionally strong again in February, extending its lead over the next strongest factors Growth and Quality.
- Australian shares** continued to advance slowly, with the broad market index, the S&P/ASX 200 Accumulation Index gaining 0.8% for the month. The best performing styles for the month were Momentum and Growth. The poorest performing style was Value.
- Similar to global small caps, **Australian small caps** are trading at an attractive discount to larger cap stocks, which may be starting to entice investors.
- Fixed income** lost ground this month after returning very small gains last month. Australian Fixed Interest lost 0.3%, while global fixed interest lost 0.8%.
- The Australian dollar lost 1.5% against the U.S. dollar over the month.

## U.S. Inflation Edges Up

### Globally

- The annual inflation rate in the U.S. unexpectedly edged up to 3.2% in February 2024, compared to 3.1% in January and above forecasts of 3.1%. Energy costs dropped much less than expected (-1.9% vs -4.6% in January), with gasoline declining 3.9% (vs -6.4%), utility gas service falling 8.8% (vs -17.8%) and fuel oil going down 5.4% (vs -14.2%).
- U.S. core inflation eased to 3.8% from 3.9%, compared to forecasts of 3.7%. The monthly rate remained steady at 0.4%, instead of forecasts of 0.3%.
- In the U.S., the number of job openings went down by 26,000 from the previous month to 8,863 million in January 2024, the lowest in three months and below the market consensus of 8.9 million.

### Locally

- The monthly Consumer Price Index (CPI) indicator in Australia stood at 3.4% in the year to January 2024, unchanged from the previous month and less than market forecasts of 3.6%.
- Retail sales in Australia increased by 1.1% month-on-month in January 2024, unrevised from the preliminary figures. The latest result followed a 2.1% fall in the prior month, with all retail industries contributing to the upturn after consumers brought forward spending to take advantage of discounts during the Black Friday event.
- The next RBA interest rate decision is on the 19<sup>th</sup> March, where it is widely anticipated that the RBA Official Cash Rate will remain unchanged at 4.35%.

## Major asset class performance

Asset classes	1 month %	1 year %	5 years (p.a.) %
Australian Shares	0.8%	10.6%	8.6%
Australian small companies	1.7%	7.8%	4.4%
Global shares (hedged)	4.7%	22.2%	9.6%
Global shares (unhedged)	5.9%	29.8%	13.8%
Global small companies (unhedged)	4.9%	12.5%	8.9%
Global emerging markets (unhedged)	6.3%	12.6%	3.7%
Global listed property (hedged)	-0.2%	-0.1%	-0.8%
Cash	0.3%	4.1%	1.5%
Australian fixed income	-0.3%	3.5%	0.3%
International fixed income	-0.8%	3.9%	0.1%

Source: FactSet, Lonsec & Insignia Financial, 29 February 2024

**Indices used:** Australian Shares: S&P/ASX 200 Accumulation Index, Australian small companies: S&P/ASX Small Ordinaries Accumulation Index, Global shares (hedged): MSCI World ex Australia Net Total Return (in AUD), Global shares (unhedged): MSCI World ex Australia Hedged AUD Net Total Return Index; Global small companies (unhedged): MSCI World Small Cap Net Total Return USD Index (in AUD); Global emerging markets (unhedged): MSCI Emerging Markets EM Net Total Return AUD Index; Global listed property (hedged): FTSE EPRA/NAREIT Developed Index Hedged in AUD Net Total Return; Cash: Bloomberg AusBond Bank Bill Index; Australian fixed income: Bloomberg AusBond Composite 0+ Yr Index; International fixed income: Bloomberg Barclays Global Aggregate Total Return Index Value Hedged AUD

**Please note:** Past performance is not indicative of future performance.

## Currency markets

Exchange rates	At close on 29/02 %	1 month change %	1 year change %
USD/AUD	0.6512	-1.5%	-3.7%
Euro/AUD	0.6017	-1.1%	-5.1%
Yen/AUD	97.46	0.9%	5.9%

Source: FactSet & Insignia Financial, 29 February 2024.

All foreign exchange rates are rounded to two decimal places where appropriate.

**Please note:** Past performance is not indicative of future performance.