

Market Commentary & Outlook March 2026

Summary

- **March** marked a major regime shift which saw **geopolitics overwhelm** fundamentals across **all asset** classes.
- **Australian** equities fell, mirroring global markets with financial and technology stocks hit the hardest.
- **Global** equities recorded their **worst** month since 2022, with **correlations** rising sharply.
- **Bonds** provided limited protection, as **inflation** fears pushed yields **higher** for most of the month.
- **Gold** disappointed, **falling** sharply despite geopolitical stress.
- **Higher for longer** inflation risks returned, markets now reflecting **different** expectations for rate movements in 2026.

Global Market Overview

March 2026 was a **decisive risk off month for global markets**, driven by a sharp escalation in Middle East geopolitical tensions and the resulting energy price shock. The effective disruption of shipping through the Strait of Hormuz triggered a surge in oil prices, reigniting inflation concerns just as markets were pricing an increased probability of an easing in monetary policy later this year. Equity markets sold off broadly, correlations rose sharply, and government bonds failed to provide their usual diversification benefits. For Australian investors, the month was characterised by a sharp fall in local equities, renewed pressure on interest rate expectations, a weaker Australian dollar, and strong relative performance from energy exposed assets.

Australia

Australian equities experienced a sharp correction in March, giving back much of the strong gains recorded earlier in the year.

- **S&P/ASX 200** fell by 7.15% in March, marking the largest monthly decline since mid-2022. Losses were broad-based, with **banks, consumer cyclicals, technology and REITs** all under pressure amid rising bond yields and deteriorating risk sentiment. **Energy** stocks materially outperformed the broader market, supported by the surge in oil prices, while gold miners were volatile as bullion prices reversed sharply lower.
- Australian **small-cap equities underperformed large-caps** during March, reflecting their higher sensitivity to risk sentiment, domestic economic conditions, and funding costs. The S&P/ASX Small Ordinaries fell almost 11% during the month.

Global Equities

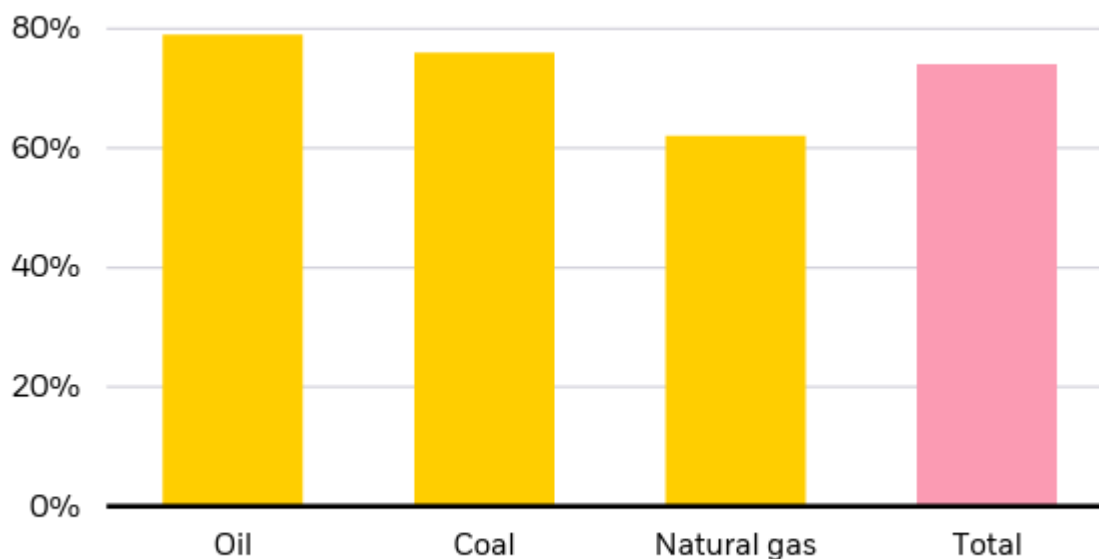
Global equity markets suffered a **synchronised selloff** as geopolitics overwhelmed earnings and macro data. Importantly, **diversification across styles and regions offered limited protection**, with growth, value, small caps and equal weight indices all declining together.

- **Energy** was the only major global sector to post **positive returns**, reflecting supply-driven oil price gains.

A Highly Exposed World

The near closure of the Strait of Hormuz has demonstrated how highly exposed the world is to energy shocks. The chart below shows that most of the world's population live in countries that rely on imported energy. Data from the International Energy Agency show that some 80% of people live in countries that are net importers of oil, 60% in countries that import natural gas. This results in a domino effect where a disruption in one region can transmit across markets. Europe, Asia, and Australia are highly exposed to imported energy. The US is better placed but not immune as rising global prices impact domestic fuel costs.

Share of population living in net importers by fuel type, 2022



Source: BlackRock Investment Institute with data from Ember and International Energy Agency *World Energy Balance*, April 2025.

Fixed Income & Commodities

March saw major sovereign yields rise across the curve:

- **Australia:** Bond yields rose in tandem with global markets as investors repriced inflation risks. Expectations for RBA easing were pushed further out, weighing on front-end bonds.
- **Global: US and German** yields rose sharply through March as the oil driven inflation shock from the Middle East conflict forced markets to price out rate cuts and briefly consider the risk of renewed tightening. Yields peaked late in the month before easing modestly on tentative de-escalation headlines, but still finished materially higher than February levels
- **Japanese** yields moved higher alongside global rates but were also driven by **domestic factors**, including expectations of further Bank of Japan policy normalisation. Rising imported inflation from energy prices and ongoing wage pressures reinforced the move, taking JGB yields to their highest levels in decades
- **Oil** dominated asset-class performance, with **Brent crude rising 50–70%** over the month and briefly trading above US\$100 per barrel, one of the largest monthly moves on record. **Gold declined** sharply, falling more than 10% as rising real yields and USD strength outweighed its traditional safe haven appeal.

Outlook and Positioning

Markets continue to be volatile, looking for an end or de-escalation of events in the Middle East. In this environment it is difficult to ascertain the short-term outlook with any confidence. In the absence of any clear direction we continue to favour a diversified approach across portfolios and remain range bound to our strategic asset allocation.

Benchmark Returns

Period Ended: 31 March 2026	1 Month	3 Months	6 Months	1 Year	3 Years	5 Years	10 Years
	%	%	%	%	% (pa)	% (pa)	% (pa)
Australian Shares							
S&P/ASX 100	-6.84	-0.87	-2.10	11.34	9.53	9.04	9.66
S&P/ASX 200	-7.15	-1.61	-2.61	11.67	9.54	8.63	9.44
S&P/ASX Small Ordinaries	-10.96	-10.87	-9.26	13.65	8.50	3.99	7.29
International Shares							
MSCI ACWI ex-Australia AUD	-3.38	-5.84	-3.28	9.17	15.83	11.80	12.69
MSCI ACWI ex-Australia AUD (Hedged)	-6.27	-2.75	0.87	19.11	16.24	9.31	
Australian Cash and Bonds							
Bloomberg AusBond Bank	0.32	0.91	1.82	3.80	4.15	2.89	2.14
Bloomberg AusBond Composite Index	-1.42	-0.34	-1.48	1.51	2.06	0.15	1.79
International Bonds							
Bloomberg Global Aggregate AUD (Hedged)	-1.85	-0.25	0.43	2.98	3.08	-0.13	1.55
Global Listed Infrastructures							
FTSE Developed Core Listed Infrastructure 50/50 AUD (Hedged)	-3.04	9.00	9.23	15.78	10.53	7.86	7.56
Property							
S&P/ASX 200 A-REIT	-11.21	-16.63	-17.80	-2.26	8.08	5.05	5.31
FTSE EPRA Nareit Developed AUD (Hedged)	-8.33	0.95	0.76	7.81	6.33	1.82	2.72

Source: Morningstar Direct

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