

Global shares

Global share markets made strong gains in the March quarter, with the MSCI ACWI Index – Net returning 8.5% in unhedged New Zealand dollar (NZD) terms. Much of the gains were driven by expectations the US Federal Reserve (Fed) would soon hit the pause button amid increasing evidence inflation in the world's biggest economy had peaked and renewed concerns over the US banking system. Headline inflation in the US climbed 6.4% in the 12 months to 31 January, which was down on the 6.5% rise we saw in December and the seventh month in a row that inflation had slowed. In response, the Fed lifted interest rates by a more modest 0.25% following its early February meeting; the move representing a material shift away from the larger 0.50% and 0.75% increases we saw last year as the bank battled to tame inflation. We saw a further moderation in US inflation ahead of the Fed's 21-22 March meeting, with consumer prices rising 6.0% in the 12 months to 28 February. It was also around this time that we saw several US midsize banks collapse and Swiss banking giant UBS acquire troubled country peer Credit Suisse. Fears of a more systemic banking crisis, together with the ongoing moderation in inflation, led to increased speculation the Fed would leave interest rates on hold at its March meeting; though the Bank ultimately disappointed investors by lifting the fed funds rate a further 0.25% to a target range of between 4.75% and 5.00%. Elsewhere, both the European Central Bank and the Bank of England raised interest rates twice over the period, as was widely expected.

At the country level, the benchmark US S&P 500 Index (7.0%) and the tech-heavy NASDAQ (16.8%) both posted strong gains over the period, while the Dow Jones Industrial Average (0.4%) recorded more modest returns. Stocks were higher in Europe (13.7%¹), Japan (5.9%²), China (4.6%³) and the UK (2.4%⁴).

New Zealand shares

The New Zealand share market made good gains in the first quarter, returning 3.9%⁵ amid a strong lead from major overseas markets, falling bond yields and encouraging Chinese growth. Gross domestic product in China – our largest trading partner – came in at 3.0% in the 12 months to 31 December, which was down on the 3.9% growth we saw in the September quarter but far better than the 1.8% expansion the market had anticipated. Limiting the local market's advance was the Reserve Bank of New Zealand (RBNZ)'s decision

to raise interest rates a further 0.50% (to 4.75%) in February despite evidence of easing price pressures. Stocks were also impacted by a series of mixed earnings updates and news the local economy shrank 0.6% in the final quarter of last year. The outcome, which followed the 1.7% expansion we saw in the September quarter, missed market expectations of a 0.2% contraction. At the sector level, healthcare was the best performer, followed by utilities and industrials. Information technology also performed well, while consumer staples and financials significantly underperformed the broader market.

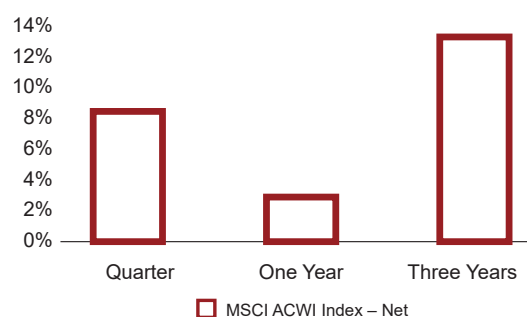
Australian shares

Australian shares performed well over the period, returning 3.3%⁶. Much of the gains were driven by increasing speculation the Reserve Bank of Australia (RBA) would soon hit the pause button on interest rates amid moderating inflation and a series of softer economic data. [Note: the RBA did in fact go on to leave rates on hold following its early April meeting.] The market also benefited from good gains across the major miners. Limiting the advance was weakness across the 'Big Four' banks and further monetary policy tightening globally.

Global listed property

Global listed property was mildly positive for the quarter, rising 0.6%⁷ in hedged NZD terms. Similar to the broader global equity market, property stocks benefited largely from expectations the Fed would soon pause its aggressive rate tightening cycle. North America was the best performer for the quarter. Asia ex Japan also performed well, while Continental Europe, the UK, Australia and Japan were all weaker. In terms of sectors, US storage, industrial and data centre names posted the biggest gains over the period.

Figure 1. Global Equities



Global listed infrastructure

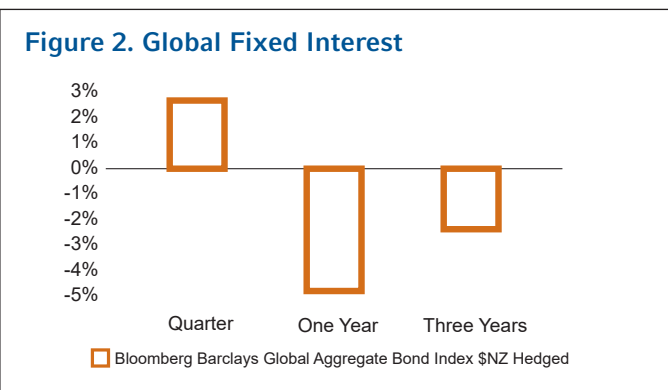
The global listed infrastructure market was also positive, returning 3.6%⁸ in hedged NZD terms. Emerging markets, Continental Europe and the UK posted the biggest gains for the quarter. Asia Pacific ex Japan also performed well, while North America and Japan underperformed the broader market. At the sector level, airports recorded the strongest gains over the period as travel volumes continued to rise. Toll roads, railways and marine ports were also positive, while energy and water utilities struggled.

Global fixed income

Global bonds made good gains in the first quarter, returning 2.7%⁹ in hedged NZD terms. Longer-term government bond yields fell (prices rose) on expectations the Fed would soon hit the pause button on interest rates and the asset class's traditionally defensive qualities in the face of renewed concerns over the US banking sector. Credit markets were mixed, with spreads on US and European high-yield debt narrowing over the period, while spreads on global investment-grade debt widened, albeit modestly. Both hard and local currency emerging markets debt performed well.

New Zealand fixed income

The New Zealand bond market was also positive over the period, returning 2.4%¹⁰. Domestic long-term government bond yields fell (prices rose) despite the RBNZ continuing to raise interest rates in the face of stubbornly high inflation. Instead, investors favoured

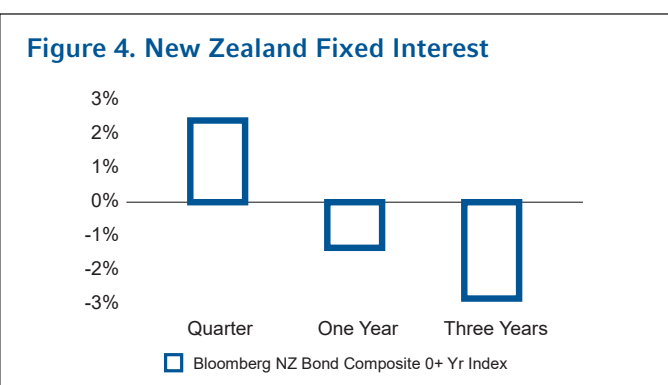
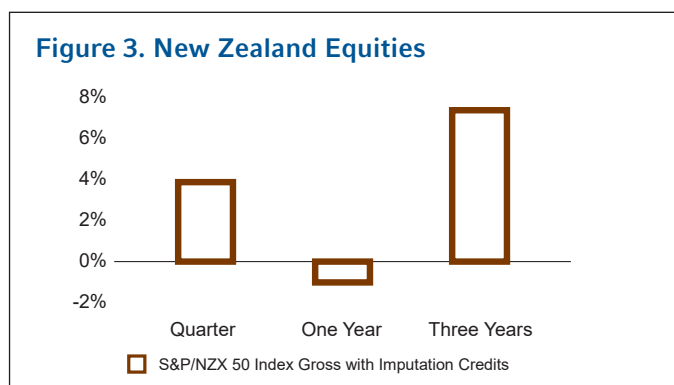


bonds' more defensive characteristics amid some concerning global market developments, including the failure of several US and European banks. The yield on New Zealand 10-year government bonds closed the quarter 28 basis points lower at 4.1960%. Meanwhile, local credit markets were weaker, with spreads widening over the period.

New Zealand dollar

The New Zealand Trade-Weighted Index¹¹ fell 1.6% over the quarter, driven in part by tighter monetary policy globally and weakness across the broader commodities complex. Limiting the currency's decline was the RBNZ's decision to raise interest rates in February (and expectations of more rate hikes to come). The NZD fell 3.7% against the British pound, 3.2% against the Euro, 0.9% against the US dollar and 0.3% against both the Australian dollar and the Japanese yen.

Note: all returns are in local currencies unless otherwise stated.



1. Dow Jones EuroStoxx 50 Price Index
2. Tokyo Stock Exchange Tokyo Price Index (TOPIX)
3. Shanghai Shenzhen CSI 300 Index
4. FTSE 100 Index
5. S&P/NZX 50 Index with imputation credits
6. S&P/ASX 300 Accumulation Index
7. FTSE EPRA/NAREIT Developed Real Estate Index Net NZD Hedged

8. S&P Global Infrastructure Index (NZD hedged)
9. Bloomberg Global Aggregate Index – \$NZ Hedged
10. Bloomberg NZ Bond Composite 0+ Yr Index
11. The trade-weighted index for the NZD is an indicator of movements in the average value of the NZD against the currencies of our major trading partners.

		LAST QUARTER	ONE YEAR	THREE YEARS	FIVE YEARS
Equities	New Zealand				
	S&P/NZX 50 Index Gross with Imputation Credits	3.9%	-1.0%	7.4%	8.3%
	Global				
	MSCI ACWI Index - Net^	8.5%	2.9%	13.3%	10.0%
	US				
	S&P 500 Index	7.0%	-9.3%	16.7%	9.2%
	Dow Jones Industrial Average	0.4%	-4.1%	14.9%	6.7%
	NASDAQ Composite Index	16.8%	-14.1%	16.6%	11.6%
	Australia				
	S&P/ASX 300 Accumulation Index	3.3%	-0.6%	16.6%	8.6%
	China				
	Shanghai Shenzhen CSI 300 Index	4.6%	-4.1%	3.2%	0.8%
	Eurozone				
	EURO STOXX 50 Price Index	13.7%	10.6%	15.7%	5.1%
	Japan				
	Tokyo Stock Exchange Tokyo Price Index (TOPIX)	5.9%	2.9%	12.6%	3.1%
	Asia Pacific				
	MSCI Asia Pacific ex Japan Index (USD)	3.6%	-11.4%	6.3%	-1.5%
	UK				
	FTSE 100 Index	2.4%	1.5%	10.4%	1.6%
Emerging Markets					
MSCI Emerging Markets Index Net (USD)	4.0%	-10.7%	7.8%	-0.9%	
Fixed Interest	New Zealand				
	Bloomberg NZ Bond Composite Index	2.4%	-1.3%	-2.8%	0.5%
	S&P/NZX A-Grade Corporate Index	2.4%	0.1%	-1.1%	1.3%
	Global				
Bloomberg Global Aggregate Index - \$NZ Hedged	2.7%	-4.8%	-2.4%	0.6%	
Property	Global				
	FTSE EPRA/NAREIT (NZD hedged)	0.6%	-20.9%	6.2%	1.1%
Infrastructure	Global				
	S&P Global Infrastructure Index (NZD hedged)	3.6%	-2.1%	13.9%	5.8%
Commodities	Refinitiv/CoreCommodity CRB Commodity Index (USD)	-3.6%	-9.3%	30.0%	6.5%
		31-Mar-23	31-Dec-22	31-Mar-22	31-Mar-20
	Gold spot price (USD)	1,969.28	1,824.02	1,937.44	1,577.18
	West Texas Intermediate crude oil (USD)	75.67	80.26	100.28	20.48
Currencies	NZD/USD	0.6275	0.6335	0.6975	0.5997
	NZD/AUD	0.9340	0.9366	0.9287	0.9740
	NZD/GBP	0.5060	0.5252	0.5308	0.4862
	NZD/EUR	0.5749	0.59385	0.6241	0.5445
	NZD/JPY	83.62	83.90	85.30	65.09
	New Zealand Trade Weighted Index	71.28	72.41	74.75	68.81
Volatility	Chicago Board Options Exchange Volatility Index (VIX)	18.70	21.67	20.56	53.54
					31-Mar-18
					1,325.48
					64.94
					0.7203
					0.9409
					0.5121
					0.585
					76.96
					74.31
					19.97

^ Russell Global Large Cap Index until 30 September 2018, MSCI ACWI Index - Net thereafter
All returns in local currencies unless otherwise stated

IMPORTANT INFORMATION

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