

Atchison

An underwater scene with a jellyfish swimming in the background. The water is a deep blue color, and the jellyfish has a dark bell and long, thin tentacles. The scene is dimly lit, creating a mysterious atmosphere.

March 2026



Monthly Market Update

A scene inside an ice cave. The walls and ceiling are made of translucent blue ice. A person is standing in the distance, illuminated by a light source. The floor is covered with large, smooth ice blocks. The overall atmosphere is cold and ethereal.

Illuminating
the way forward



Key Events in March 2026

March – Markets are in a state of high tension!

- The conflict involving US, Israel and Iran continued to escalate through March 2026, leading to disruptions to oil supply routes (especially the Strait of Hormuz) leading to global uncertainty across energy and financial markets.
- The impact on Australia from the Middle East conflict has led to oil and LNG prices spiking sharply (+40% in some cases), and causing petrol, diesel, fertiliser, and electricity costs to rise. This feeds into broader inflation numbers, expected to jump to around 6.9%.
- Interestingly even though Australia is energy dependent (fuel), our exports of commodities remain in demand, leading to a resilient labour market.
- The Australian share market fell by around -7% in March 2026 but still posted +11% for the 12 months, with the average multi-asset growth strategy falling around -5% for the month.
- International equities (all countries) in local currency, declined again in March, returning -6% for the month (largest monthly drop since 2022). But only -3% in Australian dollar terms due to the weakness in the AUD.
- The "AI exuberance" has decisively given way to an artificial intelligence "scare trade." Investors have become increasingly anxious about the massive infrastructure capital expenditures required by technology giants, and fears that rapidly advancing AI models will detract from the prospective valuations of some existing software-as-a-service tools (SaaS).
- The much-vaunted US "Magnificent Seven" experienced a collective sell-off, dragging down the heavy-weight United States S&P 500 and Nasdaq indices. Conversely, many investors rotated toward so-called "HALO" stocks, companies with Heavy Assets and Low Obsolescence risk - found in materials, utilities, and energy.
- Australian long bond rates meanwhile rose further over the month, briefly breaching +5.1%, the highest in more than a decade. The primary reason for the higher yield is elevated inflationary expectations globally, and the probability that treasury will only pay lip service to fiscal restraint in the forthcoming budget.
- Corporate fixed interest spreads have widened, reflecting a more risk-off marketplace. Investors can now receive >6%.
- The Reserve Bank of Australia (RBA) increased again the official cash rate by another 0.25% to 4.10%, combating the pick-up in inflation. The futures market is currently reflecting the likelihood of at least one further rate rise in the coming months.
- Most central banks (with some exceptions, such as the RBA) opted to hold rates steady in March while emphasising heightened uncertainty tied to the Iran conflict. Policymakers broadly warned that rising oil prices could pose upside risks to inflation and downside risks to economic growth, complicating the policy outlook.
- As expected, the US Federal Reserve FOMC voted 11-1 to keep the US fed funds rate unchanged at a 3.5%-3.75% range. Chair Powell leaned hawkish during the press conference as he emphasised upside risks to inflation. Market pricing shifted modestly hawkish following the meeting, and continued as the month progressed.
- Towards the end of the month stagflation concerns resurfaced due to surge in oil prices and the knock-on effects to broader economic activity, particularly for energy-importing countries.
- AUD against the USD, the AUD slipped from US\$71.2c to US\$68.7c.
- Gold prices weakened, with the USD gold price down by -11% over the month. This reflected profit taking and investor needs to raise cash, along with reports of some central bank selling to help support their currencies.

Asset Class Summary

Table 1: Asset Class Returns – Periods to 31 March 2026

	1 Month %	3 Months %	1 Year %	3 Years % pa	5 Years % pa	10 Years % pa
Australian Shares	-7.2	-1.6	11.7	9.5	8.6	9.3
Australian Small Companies	-10.7	-10.5	13.3	7.7	3.4	6.7
International Shares (Unhedged)	-2.5	-6.3	8.2	16.1	12.8	13.3
International Shares (Hedged)	-7.6	-5.6	16.6	15.9	9.7	11.4
Emerging Markets (Unhedged)	-9.9	-2.5	18.0	13.0	4.9	8.0
Australian Property Securities	-10.6	-15.2	2.3	7.7	4.9	6.0
Global Property Securities (Hedged)	-7.3	1.8	6.3	5.7	1.3	
Global Listed Infrastructure (Hedged)	-2.2	8.7	16.6			
Australian Bonds	-1.5	-0.2	1.3	2.0	0.0	1.6
Global Bonds (Hedged)	-2.3	-0.8	2.4	2.6	-0.8	
Cash	0.3	0.9	3.9	4.2	3.0	
Change over the month						
AUD/USD	-3.21%	0.6870				

Past performance is not a reliable indicator of future performance.

Source: iShares Core S&P/ASX 200 ETF, iShares S&P/ASX Small Ordinaries ETF, Vanguard International Shares Index, Vanguard MSCI Index Intl Shrs (H) ETF, iShares MSCI Emerging Markets ETF, VanEck Australian Property ETF, VanEck FTSE Intl Prop Hdg ETF, iShares Core FTSE Global Infrastructure (AUD Hedged), iShares Core Composite Bond ETF, Vanguard Global Aggregate Bd Hdg ETF, iShares Core Cash ETF

Australian Markets

The S&P/ASX 200 closed March at 8,501.80, down approximately -7.2% for the month, and its worst monthly performance since June 2022. The index sits roughly -8% below its all-time high of 9,202 set in late February. Three forces drove the selloff: an energy shock from the US-Iran conflict, a heavy tech sector decline, and banks under mounting rate pressure. The All Ordinaries has lost approximately A\$300 billion in value since the conflict began.

Sectors that took a hit over the month of March 2026 were technology, banks, miners, and consumer discretionary.

The only positive performing sector over March 2026 was energy (by far) returning +19%, driven by oil +48%, LNG +61% and coal +20%. Within the energy sector top performing stocks were Viva Energy +45%, Whitehaven +27% Santos +17%, Ampol +15% and Woodside Energy +11%.

Technology stocks bore the brunt of the selloff. WiseTech Global fell -5.5%, and Xero dropped -4.7% in a single session, as rising bond yields reduced the present value of future earnings. Banks were also dragged lower, with Westpac falling -4.1% in a single session and CBA shedding -1.37% across March, weighed down by concerns over slowing credit growth and stressed household budgets. As highlighted above, the one bright spot was energy stocks. Woodside Energy and Santos held up well as oil prices surged, with gold recovering toward approximately US\$4,679 per ounce by the close of March giving gold miners a meaningful tailwind across the month. This sector rotation signals that investors are positioning for inflation, not growth.

Not surprisingly the Australian share market will be influenced by the geopolitical tensions in the Middle East and fears of further interest rate hikes. Historically, in such an environment investors tilt toward defensive income and selective cyclicals such as energy, consumer staples, healthcare and to some degree banks.

Global Markets

Global equity markets (ex-Australia) delivered negative performance in March, down around -2.5% on an unhedged basis, on the back of the Middle East conflict and effective closure of the Strait of Hormuz drove a risk-off shift, with March trading marked by headline-driven swings.

US equities fell as rising bond yields, elevated energy prices, and softer economic data weighed on sentiment. Losses were broad-based across styles and market capitalisations. Energy stood out as the lone advancer (driven by the surge in oil prices), with some of the month's worst-performing sectors were those that saw strong gains to start the year.

The S&P 500 fell -5.0%, though the decline was cushioned by a +3% rally on the last day of March trading. The Nasdaq Composite fell -4.7%, adding to February's losses and posting its largest monthly decline since March 2025. The Russell 2000 declined -5.0% but remained modestly higher on the year after small caps outperformed large caps during the prior two months. Growth lagged value for a fifth straight month, with the Russell 1000 Growth Index falling -5.2% versus a -4.8% decline for its value counterpart.

European equity markets declined sharply as markets absorbed the economic implications from higher energy prices. The Europe ex United Kingdom Index fell -8.2% in euro terms. Investor sentiment deteriorated as the energy shock and a higher interest rate backdrop raised concerns about growth across the region.

UK equities also declined amid higher bond yields, slowing economic momentum, and a sharp repricing of Bank of England (BoE) policy expectations. The FTSE All-Share Index fell -6.7% in sterling.

Japanese equities declined sharply in March, as higher energy prices and rising yields offset earlier optimism around supportive domestic policy. The TOPIX declined 10.4% in yen, while the Nikkei 225 fell -12.7% in yen terms.

The China Index declined -7.7% in US dollar terms. China held up better than regional peers as the country's PMI data showed expansion in March, while strategic oil stockpiling ahead of the Iran conflict helped insulate the economy from the immediate energy shock.

Emerging market equities ended broadly lower in March as the Iran conflict exposed vulnerabilities tied to energy import dependence, currency depreciation, and rising inflation pressures across the developing world. The broader index fell -13.0% in US dollar terms.

Interest Rates and Bonds

Most major central banks (except Australia's RBA) opted to hold rates steady in March, while emphasising heightened uncertainty tied to the Iran conflict. Policymakers broadly warned that rising oil prices could pose upside risks to inflation and downside risks to economic growth, complicating the policy outlook. Markets reacted with a more hawkish interpretation, with investors unwinding expectations for 2026 rate cuts and pricing in a greater possibility of rate hikes.

Australian government bond yields eased in March 2026, as reports of US de-escalation in the Iran conflict sparked hopes the inflation shock may moderate and flipped leadership back toward growth and rate-sensitive names. The 10-year yield fell 13 basis points to 4.94%, the five-year yield declined 12 basis points to 4.65% and the two-year yield dropped nine basis points to 4.61%. The 15-year yield fell 13 basis points to 5.12%.

The higher rebasing of interest rates has a commensurate impact on corporate bond yields, with 5-year major Australian bank T2 and triple B corporate yields now both back above 6% for the first time since late 2023. By contrast, the movement wider in investment grade (IG) credit spreads of ~20bps only takes us back to late 2025 levels. The orderly behaviour of IG credit thus far is testimony to the power of higher risk-free rates and outright yields (i.e. lessening the pressure on credit spreads to achieve investor return targets).

Global government bonds experienced a broad selloff in March as concerns around oil-driven inflation pressures forced a reassessment of global monetary policy. Sovereign bond yields rose sharply across major economies, particularly in Europe, as markets shifted to pricing in the possibility of rate hikes from the European Central Bank (ECB) as soon as April.

In Europe, UK government bonds underperformed. The 10-year gilt yield rose by 68 bps, at one point topping 5.0% for the first time since 2008. The 2-year gilt yield surged nearly 90 bps on the month.

UK gilt yields jumped the most as expectations for two Bank of England rate cuts in 2026 gave way to markets pricing in more than 50 bps of rate increases this year.

The Bloomberg Global Treasury Index declined -1.9% in US dollar terms as yields pushed higher across the US, Europe, and the United Kingdom. The US Treasury curve bear flattened as yields moved higher across maturities. The spread between 10-year and 2-year yields narrowed from 59 bps at the start of the month to 51 bps by the month's end. The US 10-year Treasury yield rose 33 bps, ending the month at 4.3%.

Currencies and Commodity Markets

The Brent crude oil price jumped by 63%, from US\$70/bbl before the conflict to US\$118/bbl at the end of March. The price of Liquid Natural Gas (LNG) in Asia has almost doubled in March. Most other commodity prices have risen including iron ore, coal, and aluminium.

Higher oil prices have a broader impact than simply raising fuel costs at the pump. Energy is needed to provide almost every good and service and therefore affects overall global prices. Food price inflation will hit Americans in particular, whose agriculture is heavily dependent on fossil fuels consumed in the production and use of fertilisers, pesticides, and machinery.

Energy prices are also a concern for the AI sector's key infrastructure: artificial intelligence data centres. Beyond that, the Strait of Hormuz is critical for the transport of helium (used to cool semiconductors worldwide), petrochemicals used in pharmaceuticals, fertilisers, and aluminium.

In contrast, prices of gold and silver have fallen by -11% and -20% respectively, which the market is of the view that investors had a need for liquidity to meet margin calls. Gold finished the month at US\$4,679 per oz.

The US dollar strengthened in the month, reflecting both safe-haven demand and the relative insulation of the US economy as a net energy exporter. The Australian dollar suffered down -3.2%, falling from above 71 US cents to 68.7 US cents, caught between its commodity-currency tailwinds and its vulnerability to risk-off sentiment. The yen tested 160 against the US dollar despite Japan's acute exposure to imported energy, while European currencies weakened broadly.



Outlook for Investment Markets

The US, Israel and Iran war has heightened fears that the RBA will need to hike interest rates even more aggressively due to the added upside inflation risks, should another uncomfortably high quarterly inflation report be issued in late April.

But globally, the main new fear is stagflation (higher inflation and weaker economic growth) associated with the surge in oil prices. Whether these fears materialise depends critically on how long the Iran war lasts and whether there is serious damage to oil production facilities.

General consensus is that the US began these attacks in the expectation of a speedy victory and regime change, it did not want to become entrenched in a war that would lead to a surge in oil prices and the risk of US recession. It did not anticipate Iranian resistance and the effective blockade of the Strait of Hormuz. Accordingly, US President Donald Trump is looking for a face-saving exit, though the challenging fact is that Iran, so far at least, has not afforded him that opportunity. Importantly, there has been no serious damage to Middle East oil production facilities (as of writing) and only a blockade of oil flow through the Strait.

As of 8 April 2026, we have now reached the point where both sides have at least formally agreed to talk. A two week ceasefire is in place and Iran has agreed to open the Strait of Hormuz during this time. One way or another, most commentators agree that a “deal” will be reached and conditions will gradually get better rather than become a lot worse. This should lead investors to refocus on the pre-war market concerns and opportunities, but we are not there yet.

Pre-war outlook has not changed, the global economy and financial markets entered 2026 on a solid footing, with resilient economic growth and broadly contained inflation.

Most central banks (with some exceptions, such as the RBA) retained a neutral to easing policy bias. The corporate profit outlook remained strong, underpinned by continued solid technology companies.

This outlook favoured continued positive returns from both global equities and bonds. Performance among large-cap US technology companies. The pre-war outlook favours continued positive returns from both global equities and bonds.

The major pre-war issue globally was the artificial intelligence (AI) boom, and whether this was becoming more of a headwind for markets, due to fears of disruption, excessive valuations, and over-investment, compared to the earlier euphoria following the release of ChatGPT in late 2022.

Associated with these concerns were signs of a ‘great rotation’ by investors away from US technology companies and into cheaper non-US exposures, such as Japan and emerging markets.

In Australia, there is a solid rebound in corporate earnings expectations, reflecting firm global commodity prices and improving local economic growth has been counterbalanced by a rise in interest rate fears, with the RBA shifting to a tightening policy bias due to the rebound in inflation.

Atchison believes it is unhelpful for us to speculate on short-term predictions as the crisis in the Middle East and associated trickle-through effects are a live and changeable dynamic. At this point in time, investment markets are mostly priced more appropriately, having now shed some of last year’s frothiness. By consequence, some share prices are on a historical basis looking attractive, so investors with a reasonable long-term horizon should start to consider increasing their market exposures. Some global REITs (property trusts) are amongst the better value propositions at present, along with global listed infrastructure to reduce portfolio volatility.

Interest bearing investments are an easy option, particularly bank deposits and securities, and government bonds which now offer decent rates with minimal risk.

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