MONTHLY MARKET UPDATE | MARCH

# Everything Hinges on Whether Hormuz Re-opens

Information contained in this report current as at 14 April 2026.

**Events in the Middle East dominated market moves in March and it does not appear that a resolve is in sight as peace talks between the US and Iran in Islamabad broke down at the time of writing.** Major asset classes were weak in March with the Australian share market lower by -7.15% whilst international shares decreased by -2.5%, Emerging market shares ended -9.54% lower and global listed property prices -6.98% lower over the month. Bond markets did not avoid the sell off despite their perceive safe haven status. The Australian bond market decreased by -1.42% and international bonds as represented by the Bloomberg Global Aggregate Index declined -1.85% as investors became more wary about high inflation caused by the oil price and the cost of the US financing the military campaign.

**On the inflation front, it was interesting to see that in the US, the Consumer Price Index increased 0.9% to be 3.3% higher over the year.** This outcome was up from 2.4% per annum recorded in February. **Energy drove the increase, with little-to-no passthrough to core inflation …….yet.** Given the magnitude of the energy shock, however, both headline and core inflation are likely to rise in the coming months. Meanwhile, consumer sentiment readings deteriorated, with the University of Michigan measure at an historical low. One-year inflation expectations jumped 1% to 4.8%, while the 5-10 year measure rose to 3.4% from 3.2%.

**Fuel price increases are more likely to be demand-destructive by reducing household discretionary spending.** This was reinforced by the personal income and spending report, which showed real household disposable incomes had already been flattening out prior to the Middle East conflict. Discretionary spending which includes things like dining out and hobbies, is likely to turn negative in the coming months. On top of worsening purchasing power, the uncertainty surrounding the war could push households to raise their savings, which would further weigh on spending. The most recent data shows the energy shock has not affected the labour market to date, however consumer sentiment has deteriorated albeit, marginally. **It is too early to say whether this will push the US economy into recession.** For now, however, both market-based and consumer measures of long-term inflation expectations appear anchored and there are more unemployed Americans than available job vacancies. This is very different from 2022 when there were roughly two job vacancies for every unemployed worker. This shift in the labour market demand/supply balance supports the view that second-round inflation effects are likely to be more muted than they were following the post-pandemic inflation shock. Given the very

**Emmanuel Calligeris**
Chief Investment Officer

bifurcated scenarios ahead and despite the recent ceasefire developments, the Federal Reserve is likely to remain on the sideline in the near term.

The US story seems to be consistent in other parts of the world. **In Europe, inflation has increased due to the surge in petrol prices.** The price at the pump is almost 15% higher in the past month. The other main categories of inflation remain stable so far. Food inflation decreased to 2.4% from 2.5%, and core inflation fell from 2.4 to 2.3%. Both goods and services inflation moderated, indicating that price effects outside of energy were benign.

However, looking ahead, **there remains upside risk to food and goods prices given fertiliser shortages and broader supply chain problems stemming from the war.** Inflation expectations have recently increased to levels only seen in the early 1990s and during the first half of 2022. For the European Central Bank, concerns about anchoring inflation expectations around 2% will have high priority. The longer the disruption lasts, the greater the likelihood of broader increases in headline and core inflation.

**In China,** producer prices returned to positive levels for the first time since 2022. Energy-related subcomponents show pressures mounting as higher oil prices start to feed through to the economy. Looking ahead, **we are starting to see the impact of higher energy prices in the data. The subcategory for transportation fuel costs surged 10.0% in March.** Near-term growth is expected to fade into the second quarter of 2026 as seasonal factors and frontloaded spending unwind. Beijing is likely to increase stimulus in the second half of the year.

**Australia shares the same issues as other economies. The question for the domestic interest rate outlook, is how much of the energy price shock has been passed through to prices of other goods and services.** The answer seems to be “considerable”. While ‘temporary fuel levies’ are easier to unwind as fuel prices decline, for many products, list prices have been lifted significantly and a reversal seems less likely. Building materials are a particular issue, with the cost of building a detached home increasing as much as 10% in some estimates. The lift in pricing has been widespread across industries and in some cases quite large relative to overall inflation trends. The RBA will see it as a further leg up in underlying inflation from a rate that was already higher than desired. Bond yields remain elevated and the outlook is shaping out to be a low growth elevated inflation outcome. If the ceasefire does hold, downside risks to growth diminish and inflation risks ease. Because of the downstream passthrough to other prices we are already seeing, though, the inflation risks do not disappear and the RBA is still likely to raise the cash rate further. The unemployment rate increased from 4.1% to 4.3% taking it back to the levels seen through most of the second half of 2025. The increase was mainly due to a lift in the participation rate.

The Middle East situation has pushed inflation higher globally through longer delivery times and higher energy and petrochemical prices. Even a swift reopening of Hormuz would leave supply-side inflation pressures in place given the disruption to global supply chains. A swift resolution, together with weaker growth from disruption and tighter financial conditions, would still allow central banks to look through the inflation episode as long as inflation expectations remain anchored. Macro data will matter little in the near term, as everything hinges on whether Hormuz reopens.

**The Australian Shares market performance was divergent, with energy stocks among the relative outperformers** as oil prices surged following the outbreak of conflict in the Middle East and disruption to global energy supply chains. Resources more broadly delivered mixed results, with metals and mining facing headwinds from softer global growth expectations even as elevated energy prices supported the energy sub-sector. The financials sector navigated a complex environment, with back-to-back rate hikes providing a tailwind for bank net interest margins, though rising credit concerns and the prospect of

further monetary tightening tempered enthusiasm. **Rate-sensitive sectors including real estate, utilities and healthcare were sold heavily** as bond yields moved higher in response to the RBA's hawkish pivot and global inflation concerns. Energy (+36.0%) was the best-performing sector over the quarter, led by Woodside Energy (+52.6%) and Santos (+31.7%) while Info Tech (-27.2%), dragged down by WiseTech Global (-44.3%) and Life360 (-44.0%), underperformed the broader market. The same pattern of share market returns was seen in the US with Exxon Mobil, Chevron and Conoco Philips all performing strongly whilst UPS and Boeing performing poorly.

If the Strait of Hormuz remains closed it would be a recipe for global recession and a surge in inflation—a repeat of the “stagflation” of the 1970s. Even in a middling scenario, in which some oil trickles through the strait but most shipping remains disrupted, the damage to the world economy would be severe.

# Returns 30th March 2026

## ASSET CLASS RETURNS ARE BASED ON

**Australian Cash**
RBA Bank accepted Bills 90 Days

**Australian Bonds**
Bloomberg AusBond Composite 0+ Yr TR AUD

**International Bonds Hedged**
BarCap Global Aggregate TR Hdg AUD

**Australian Listed Property**
BarCap Global Aggregate TR Hdg AUD

**International Property Hedged**
FTSE EPRA/NAREIT Dv REITS TR Hdg AUD

**Australian Shares**
S&P/ASX 200 TR

**International Shares**
MSCI World Ex Australia NR AUD

**Emerging Market Shares**
MSCI EM GR AUD

## RETURNS TO THE 30TH MARCH 2026

| | 1 month | 3 months | 6 months | 1 year | 3 years | 5 years | 7 years | 10 years |
|---|---|---|---|---|---|---|---|---|
| Australian Cash | 0.35 | 0.96 | 1.88 | 3.76 | 4.11 | 2.96 | 2.36 | 2.14 |
| Australian Bonds | -1.42 | -0.34 | -1.48 | 1.51 | 2.06 | 0.15 | 0.16 | 1.79 |
| International Bonds Hedged | -1.85 | -0.25 | 0.43 | 2.98 | 3.08 | -0.13 | 0.20 | 1.55 |
| Australian Listed Property | -11.21 | -16.63 | -17.80 | -2.26 | 8.08 | 5.05 | 2.72 | 5.31 |
| International Property Hedged | -6.98 | 0.93 | 0.22 | 6.11 | 6.22 | 2.69 | 0.64 | 3.32 |
| Australian Shares | -7.15 | -1.61 | -2.61 | 11.67 | 9.54 | 8.63 | 7.76 | 9.44 |
| Emerging Market Shares | -9.54 | -2.80 | 1.18 | 17.87 | 13.99 | 5.92 | 7.24 | 9.06 |
| International Shares | -2.51 | -6.22 | -3.83 | 8.14 | 16.04 | 12.71 | 12.45 | 13.19 |

Freeman FINANCIAL GROUP

Freeman Financial Group ABN 58 621 314 565
is a Corporate Authorised Representative CAR No. 1259528
of GPS Wealth Ltd | AFSL 254 544 | ABN 17 005 482 726

Level 9, 1 Corporate Court
Bundall QLD 4217

1300 720 696

info@freemanfinancial.com.au

www.freemanfinancial.com.au

The information contained in this newsletter is general in nature and provided for information purposes only. Any references to investment returns, performance, asset classes or market conditions are not intended to constitute personal financial advice. While reasonable care has been taken in preparing this material, no liability is accepted by Count, its related entities, agents or employees for any loss arising from reliance on this information. Past performance is not a reliable indicator of future performance and investment returns are not guaranteed. Clients need to assess the appropriateness of any information in light of their individual circumstances, consider the relevant Product Disclosure Statements (PDS) and other disclosure documents, and obtain personal financial advice prior to making any investment decision.