

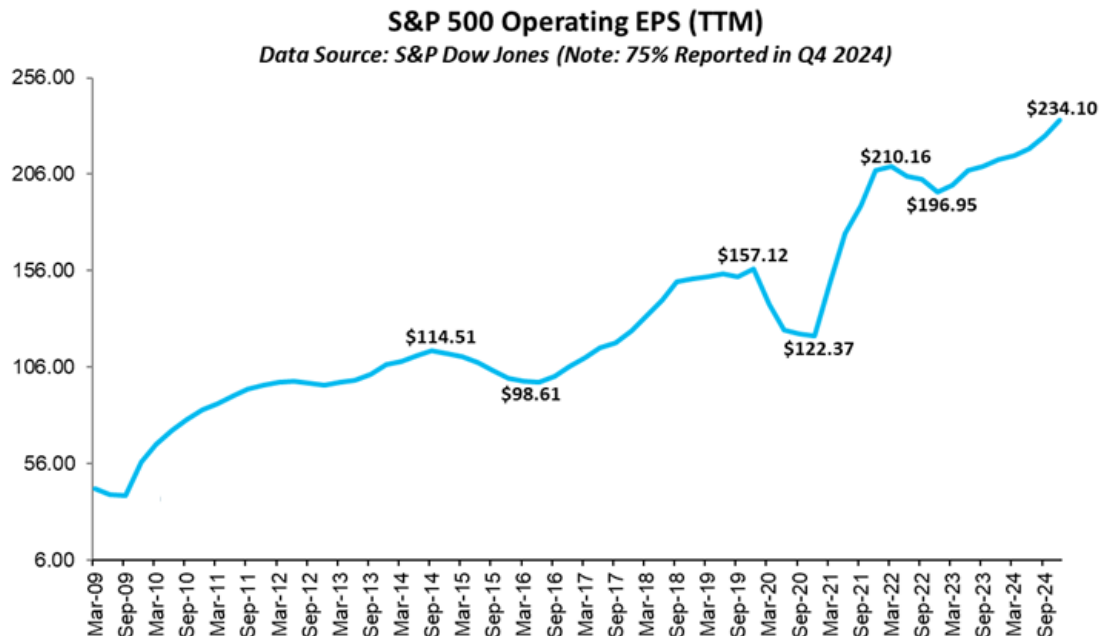


March Monthly Economic Market Wrap

Troy Theobald

Founding Partner

The US stock market continues to report solid earnings with the S&P500 operating earnings on pace to hit another record high, up 10% over the last year.



And it's not just the stock market, everything in the US is up, stocks, bonds, commodities, real estate and even crypto.

		Asset Class Total Returns Since 2011 (Data via YCharts as of 2/14/25)															2011-25 Cumulative	2011-25 Annualized
ETF	Asset Class	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025		
GLD	Gold	9.6%	6.6%	-28.3%	-2.2%	-10.7%	8.0%	12.8%	-1.9%	17.9%	24.8%	-4.2%	-0.8%	12.7%	26.7%	10.0%	92%	4.7%
EFA	EAFE Stocks	-12.2%	18.8%	21.4%	-6.2%	-1.0%	1.4%	25.1%	-13.8%	22.0%	7.6%	11.5%	-14.4%	18.4%	3.5%	8.4%	114%	5.5%
QQQ	US Nasdaq 100	3.4%	18.1%	36.6%	19.2%	9.5%	7.1%	32.7%	-0.1%	39.0%	48.6%	27.4%	-32.6%	54.9%	25.6%	5.3%	1022%	18.7%
IWD	US Value	0.1%	17.5%	32.1%	13.2%	-4.0%	17.3%	13.5%	-8.5%	26.1%	2.7%	25.0%	-7.7%	11.4%	14.2%	5.1%	310%	10.5%
DBC	Commodities	-2.6%	3.5%	-7.6%	-28.1%	-27.6%	18.6%	4.9%	-11.6%	11.8%	-7.8%	41.4%	19.3%	-6.2%	2.2%	5.0%	-7%	-0.5%
CWB	Convertible Bonds	-7.7%	15.9%	20.5%	7.7%	-0.8%	10.6%	15.7%	-2.0%	22.4%	53.4%	2.2%	-20.8%	14.5%	10.1%	4.5%	246%	9.2%
N/A	Bitcoin (\$BTC)	1473%	186%	5507%	-58%	35%	125%	1331%	-73%	95%	301%	66%	-65%	156%	121%	4.4%	32503222%	145.7%
VWO	Emerging Market Stocks	-18.7%	19.2%	-4.9%	0.0%	-15.8%	12.2%	31.5%	-14.8%	20.8%	15.2%	1.3%	-18.0%	9.3%	10.6%	4.2%	42%	2.5%
SPY	US Large Caps	1.9%	16.0%	32.2%	13.5%	1.2%	12.0%	21.7%	-4.5%	31.2%	18.4%	28.7%	-18.2%	26.2%	24.9%	4.0%	527%	13.9%
IWF	US Growth	2.3%	15.2%	33.1%	12.8%	5.5%	7.0%	30.0%	-1.7%	35.9%	38.3%	27.4%	-29.3%	42.6%	33.1%	3.7%	750%	16.4%
VNQ	US REITs	8.6%	17.6%	2.3%	30.4%	2.4%	8.6%	4.9%	-6.0%	28.9%	-4.7%	40.5%	-26.2%	11.8%	4.8%	2.9%	187%	7.7%
EMB	EM Bonds (USD)	7.7%	16.9%	-7.8%	6.1%	1.0%	9.3%	10.3%	-5.5%	15.5%	5.4%	-2.2%	-18.6%	10.6%	5.5%	2.7%	64%	3.6%
MDY	US Mid Caps	-2.1%	17.8%	33.1%	9.4%	-2.5%	20.5%	15.9%	-11.3%	25.8%	13.5%	24.5%	-13.3%	16.1%	13.6%	2.5%	323%	10.8%
TLT	Long Duration Treasuries	34.0%	2.6%	-13.4%	27.3%	-1.8%	1.2%	9.2%	-1.6%	14.1%	18.2%	-4.6%	-31.2%	2.8%	-8.1%	2.4%	39%	2.3%
IWM	US Small Caps	-4.4%	16.7%	38.7%	5.0%	-4.5%	21.6%	14.6%	-11.1%	25.4%	20.0%	14.5%	-20.5%	16.8%	11.4%	2.3%	251%	9.3%
TIP	TIPS	13.3%	6.4%	-8.5%	3.6%	-1.8%	4.7%	2.9%	-1.4%	8.3%	10.8%	5.7%	-12.2%	3.8%	1.7%	1.9%	43%	2.6%
HYG	High Yield Bonds	6.8%	11.7%	5.8%	1.9%	-5.0%	13.4%	6.1%	-2.0%	14.1%	4.5%	3.8%	-11.0%	11.5%	8.0%	1.9%	94%	4.8%
PFF	Preferred Stocks	-2.0%	17.8%	-1.0%	14.1%	4.3%	1.3%	8.1%	-4.7%	15.9%	7.9%	7.2%	-18.2%	9.2%	7.2%	1.7%	85%	4.5%
LQD	Investment Grade Bonds	9.7%	10.6%	-2.0%	8.2%	-1.3%	6.2%	7.1%	-3.8%	17.4%	11.0%	-1.8%	-17.9%	9.4%	0.9%	1.4%	63%	3.5%
BND	US Total Bond Market	7.7%	3.9%	-2.1%	5.8%	0.6%	2.5%	3.6%	-0.1%	8.8%	7.7%	-1.9%	-13.1%	5.7%	1.4%	1.2%	34%	2.1%
BIL	US Cash	0.0%	0.0%	-0.1%	-0.1%	-0.1%	0.1%	0.7%	1.7%	2.2%	0.4%	-0.1%	1.4%	4.9%	5.2%	0.5%	18%	1.2%
Highest Return		BTC	BTC	BTC	VNQ	BTC	BTC	BTC	BIL	BTC	BTC	BTC	DBC	BTC	BTC	GLD	BTC	BTC
Lowest Return		EEM	BIL	GLD	BTC	DBC	BIL	BIL	BTC	BIL	DBC	TLT	BTC	DBC	TLT	BIL	DBC	DBC
% of Asset Classes Positive		62%	95%	52%	71%	38%	100%	100%	5%	100%	90%	71%	10%	95%	95%	100%	95%	95%

Having said this, we have seen some spikes in the volatility index with an upward trend particularly in the last few weeks.

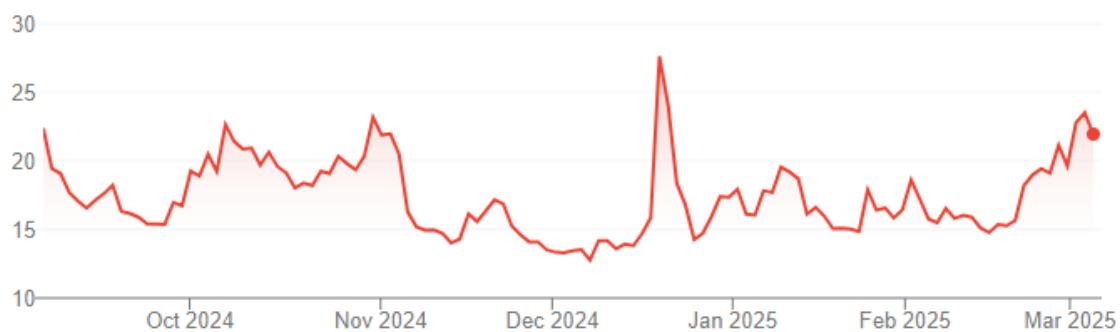
Market Summary > VIX

21.93

-0.45 (-2.01%) ↓ past 6 months

5 Mar, 3:15 pm GMT-6 • Disclaimer

1D | 5D | 1M | 6M | YTD | 1Y | 5Y | Max



Open	23.03	Low	21.37	52-wk high	65.73
High	24.84	Prev close	23.51	52-wk low	10.62

So why is there so much uncertainty at the moment?

We are seeing new headlines every other day, tariffs being threatened and implemented and uncertainty around the geo-political landscape. Investors are starting to exercise some caution and there are growing concerns that we are seeing an end to US exceptionalism.

The Dow Jones erased all of January's gains through February and into March.

Market Summary > Dow Jones Industrial Average

43,006.59

+4,421.40 (11.46%) ↑ past year

5 Mar, 4:52 pm GMT-5 • Disclaimer

1D | 5D | 1M | 6M | YTD | 1Y | 5Y | Max



Open	42,518.37	Low	42,418.73	52-wk high	45,073.63
High	43,135.92	Prev close	42,520.99	52-wk low	37,611.56

And the NASDAQ is going backwards.

Market Summary > Nasdaq Composite

18,552.73

+2,613.14 (16.39%) ↑ past year

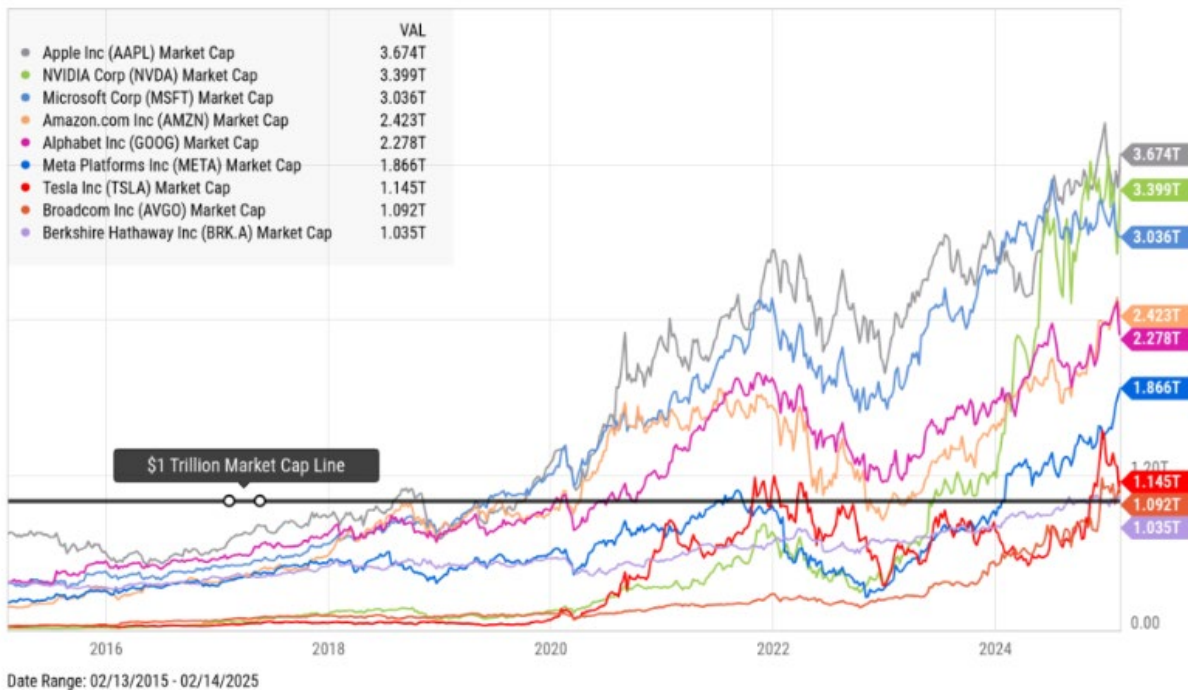
5 Mar, 5:15 pm GMT-5 • Disclaimer

1D | 5D | 1M | 6M | YTD | 1Y | 5Y | Max



Open	18,312.96	Low	18,144.73	52-wk high	20,204.58
High	18,604.47	Prev close	18,285.16	52-wk low	15,222.78

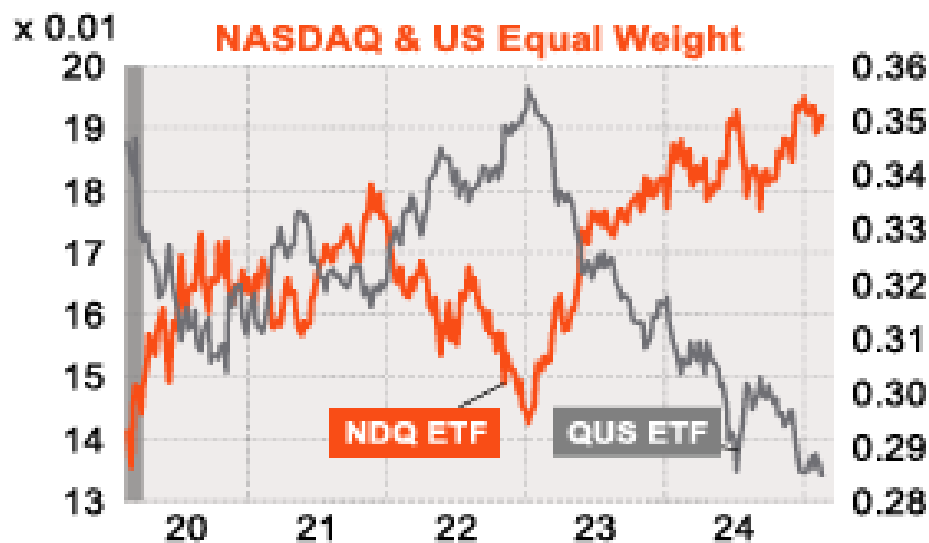
Structurally, there are now nine companies in the US that have a market cap over \$1 trillion, there were none seven years ago.



And while the US stock market climbed to record highs last year, it was largely driven by the magnificent seven who now make up over a third – 35.4% by the end of 2024.

YEAR	MAGNIFICENT 7 COMBINED MARKET CAP	S&P 500 MARKET CAP	MAGNIFICENT 7 PERCENTAGE
2015	\$2,209,120,000,000	\$17,900,000,000,000	12.3%
2016	\$2,403,940,000,000	\$19,270,000,000,000	12.5%
2017	\$3,493,720,000,000	\$22,820,000,000,000	15.3%
2018	\$3,497,240,000,000	\$21,030,000,000,000	16.6%
2019	\$5,133,650,000,000	\$26,760,000,000,000	19.2%
2020	\$8,509,910,000,000	\$31,660,000,000,000	26.9%
2021	\$11,786,220,000,000	\$40,360,000,000,000	29.2%
2022	\$6,923,970,000,000	\$32,130,000,000,000	21.5%
2023	\$12,045,530,000,000	\$40,040,000,000,000	30.1%
2024	\$17,621,000,000,000	\$49,810,000,000,000	35.4%

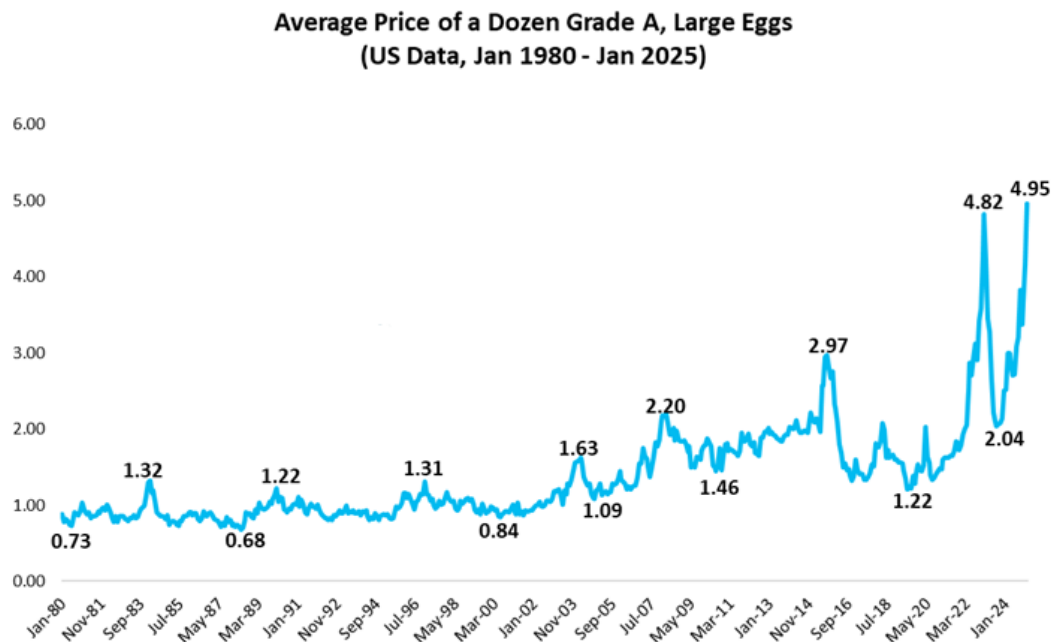
And while the AI arms race continues, the magnificent seven could climb to new heights. But with a large concentration of capital invested into such a small space, it does mean that a shock to this sector (for example, China's response to ChatGPT – DeepSeek) would have significant ripple effects on the market as a whole.



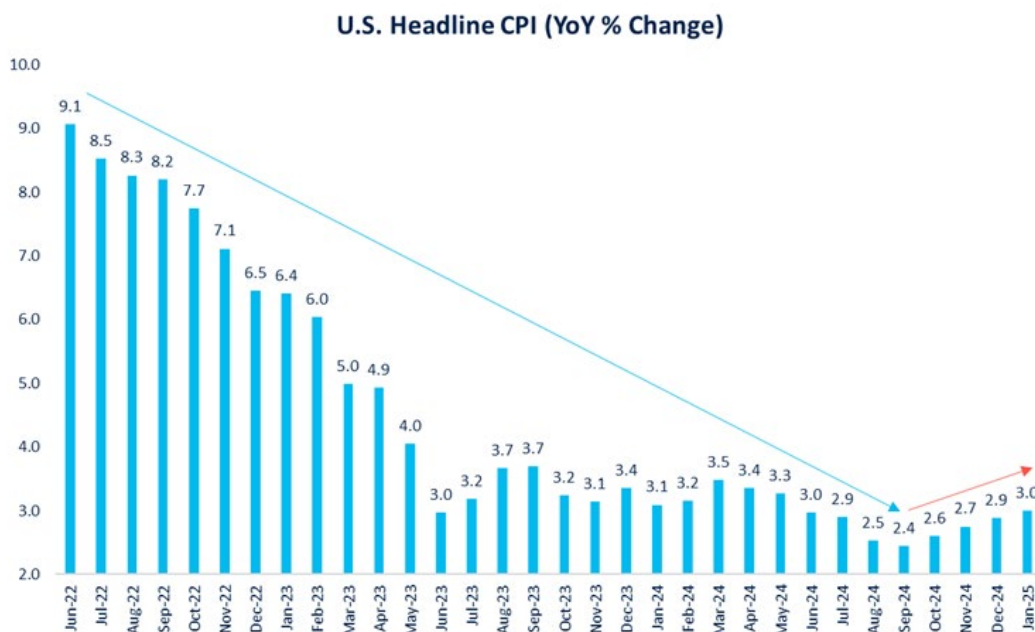
And we have seen the concentration of these high achiever's drift away from the rest of the market as a whole. Historically, we have seen a rebalance and normalisation of trends but we must always ask ourselves some key questions. Is this the new normal? Will there be a market correction? And if so, what will be the catalyst?

Inflation remains a sticky point in the US.

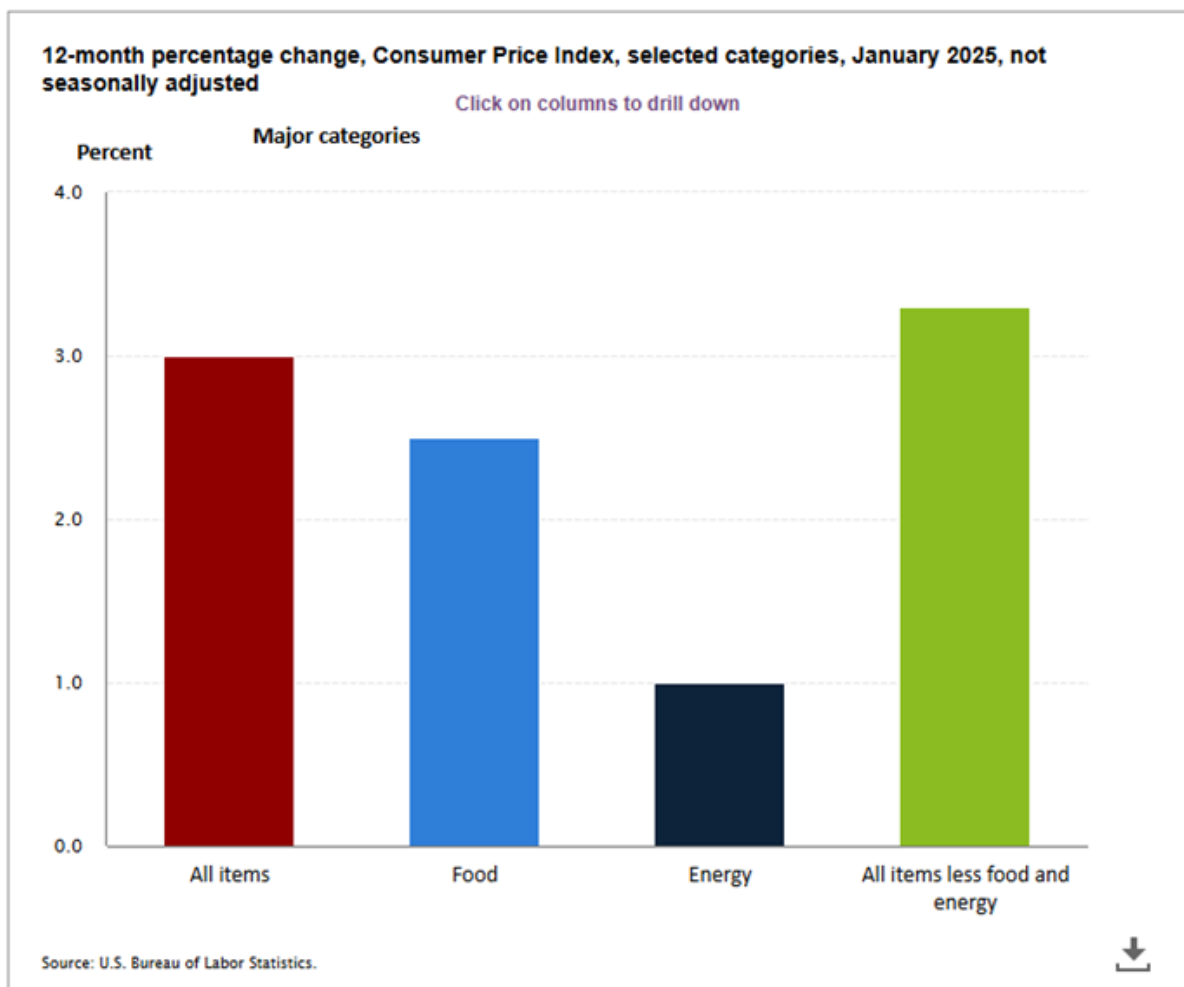
Egg prices in the US have spiked at record highs of US \$4.95, increasing 238% over the last 4 years. Eggflation is back!



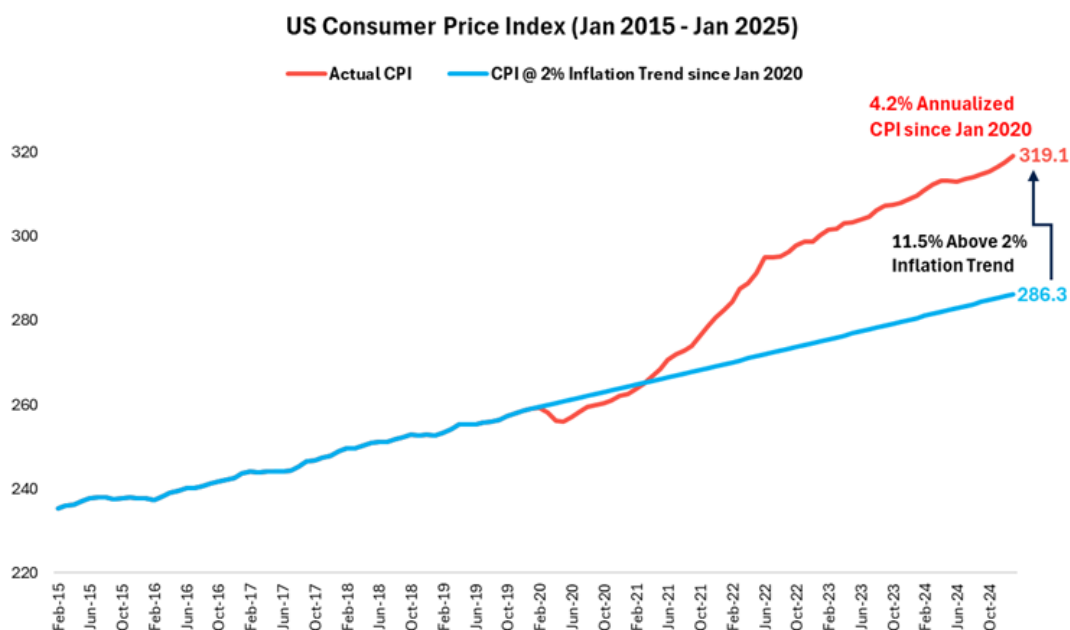
Inflation is making its way back into the US, with the latest CPI coming in at 4%, the highest reading since May last year.



The US is seeing price increases generally across the board.

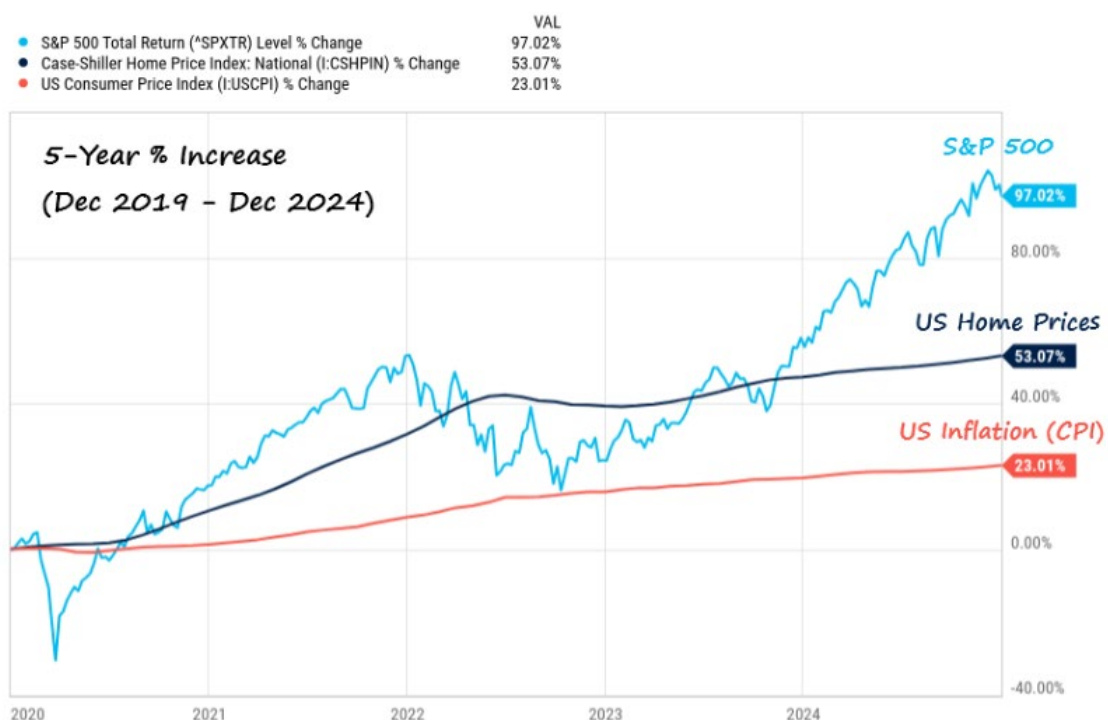


Actual inflation is continuing to drift away from the Fed's 2% target rate.



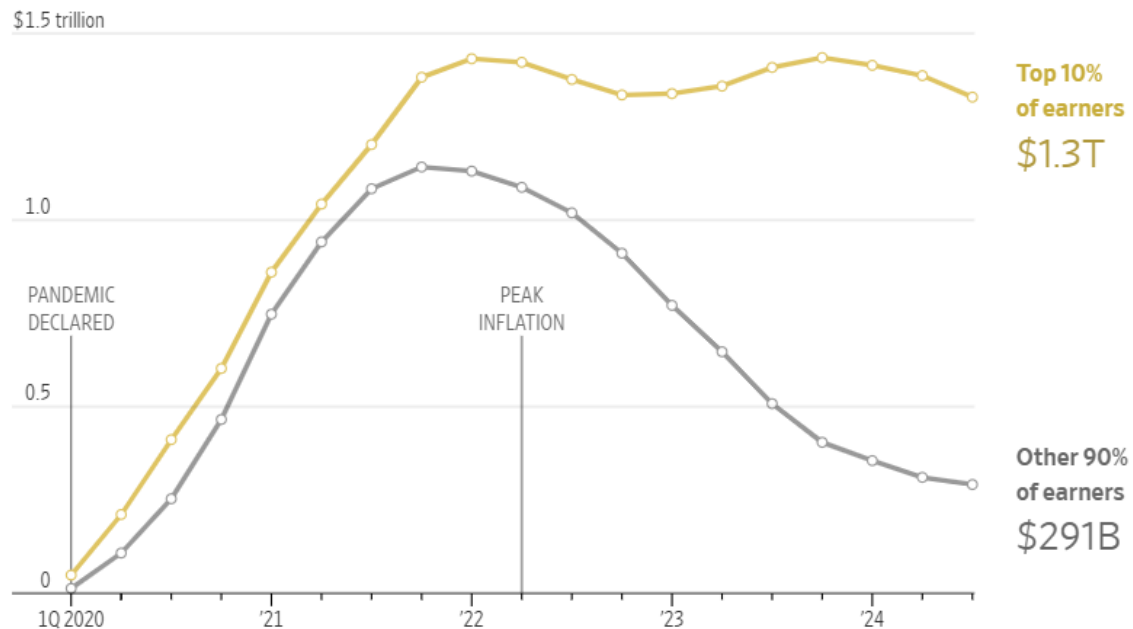
Inflation can be viewed as a tax, due to its regressive nature. It generally hits the lowest income earners the hardest. When the price of essentials such as food, gas and shelter increases, it consumes a greater proportion of their income.

On the other side, high income earners spend less of their income on essentials and own a greater share of property and stocks that have outpaced inflation over the last few years. So, while not unaffected, it is far less detrimental.



It is, therefore, unsurprising, that lower income earners have needed to dip into their savings the last few years to make ends meet – which has resulted in a spending gap.

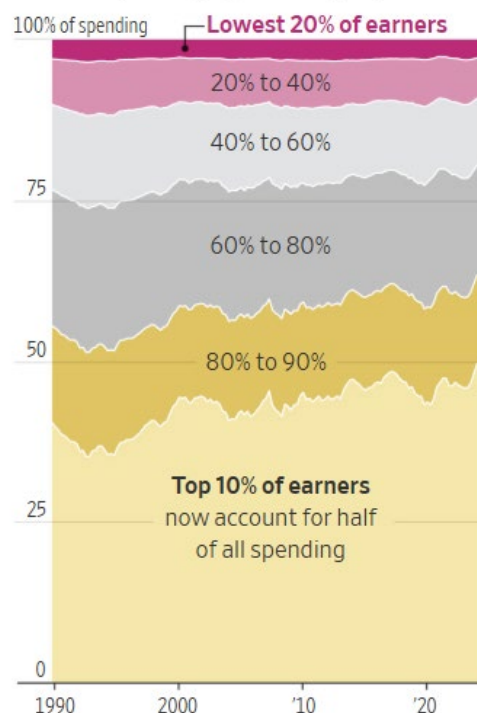
Cumulative excess savings, by income



Note: Chart shows savings above the typical prepandemic saving rate.
Source: Moody's Analytics

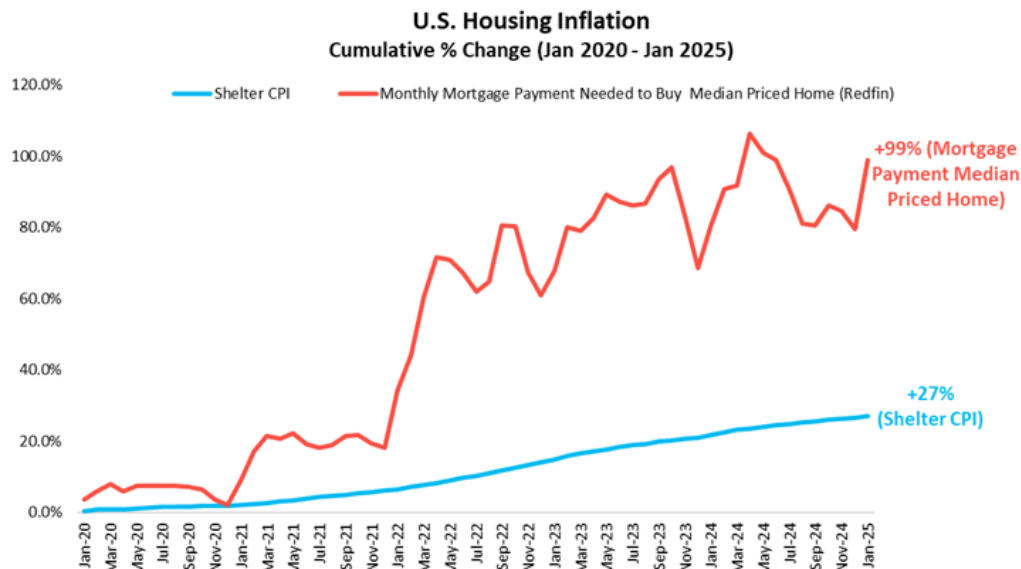
The result, in the US, the top 10% of income earners now account for half of all consumer spending.

Share of spending, by income group



Source: Moody's Analytics

Housing remains an issue in the US. Active listings have hit its highest level in five years, however, the reason is that many homes are unaffordable for the average buyer. Monthly mortgage repayments required to buy the median priced home in the US has nearly doubled over the last five years.



The increase in supply and collapse of demand is leading to a slowdown in housing price increases.



While this is the US we are looking at, it provides lessons and insights for us back home.

And let's not forget, that the US is still the largest financial market in the world, and as the adage goes, when the US coughs, everyone else sneezes.

So, what is going on back home?

Australia's economy is very different to the United States. We are much smaller, resource heavy and while we have a large financial sector (for our size) our banks are relatively insulated against external factors.

A trade war will affect global trade, which will have an impact on us. But it may not all be bad. China remains Australia's largest trade partner and if relations between the US and China breakdown, China may look for closer partners in the region.

Welcome to the Australian Bureau of Statistics

Population

27,204,809

30 June 2024

Consumer price index

2.4%

Annual change December 2024
quarter

Gross domestic product

0.6%

Quarterly change Dec 2024

Average weekly earnings

\$1,975.80

November 2024

Unemployment rate

4.1%

January 2025

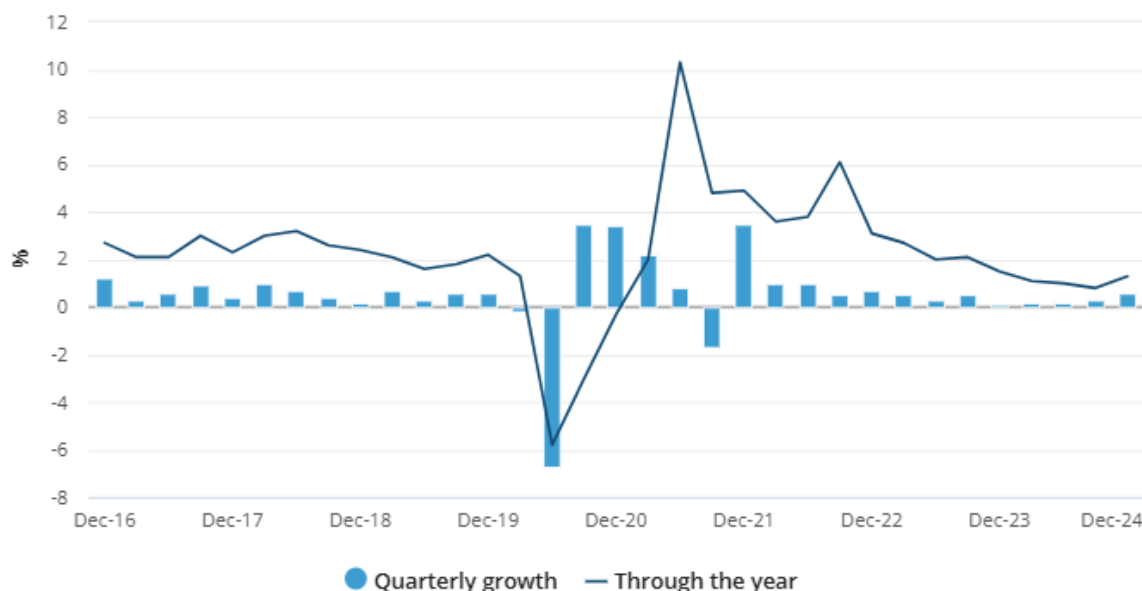
Australia's economy has been in the doldrums the last few years, high interest rates have meant a decline in consumer spending and business investment. But with the RBA giving everyone a long-awaited reprieve last month, we may be starting to see things turn around.

The quarterly Gross Domestic Product (GDP) figures were released last month, and while a nominal GDP of 1.6% is nothing to write home about, it is a step in the right direction.

Key statistics

- The Australian economy rose 0.6% in seasonally adjusted chain volume measures
- In nominal terms, GDP rose 1.6%
- The terms of trade rose 1.7%
- Household saving to income ratio rose to 3.8% from 3.6%

Gross domestic product, chain volume measures, seasonally adjusted

[Graph](#)
[Table](#)
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**Real net national disposable income also increased 20 basis points.
And productivity (output vs input) rose as well.**

December quarter key figures, percentage changes (a)

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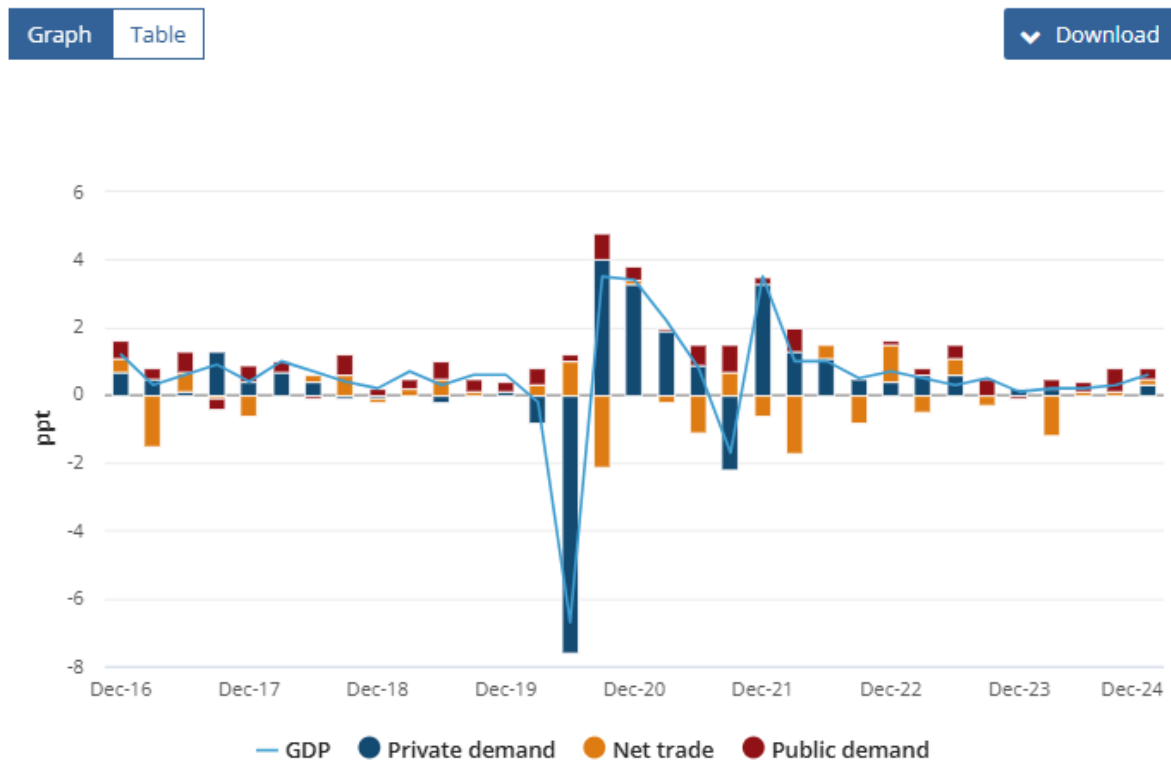
	Sep 23 to Dec 23	Dec 23 to Mar 24	Mar 24 to Jun 24	Jun 24 to Sep 24	Sep 24 to Dec 24	Through the year, Dec 23 to Dec 24
Chain volume measures (b)						
GDP	0.1	0.2	0.2	0.3	0.6	1.3
GDP per capita (c)	-0.4	-0.4	-0.2	-0.2	0.1	-0.7
Gross value added market sector (d)	0.3	-0.1	0.3	-	0.4	0.6
Real net national disposable income	1.1	-	-1.3	0.5	0.7	-
Productivity						
GDP per hour worked	0.5	0.1	-0.7	-0.5	-0.1	-1.2
Real unit labour costs	0.1	-0.6	1.6	0.7	0.6	2.3
Prices						
GDP chain price index (original)	2.4	0.9	-0.8	-0.2	1.4	1.4
Terms of trade	2.8	-0.7	-3.5	-2.3	1.7	-4.8
Current price measures						
GDP	1.4	1.4	0.2	0.5	1.6	3.7
Household saving ratio	2.8	2.7	2.4	3.6	3.8	na

**And household consumption has shown signs of strength.
Discretionary spending grew by 40 basis points, largely due to
Christmas spending and the festive period.**

**Public demand largely supported the growth we saw with domestic
final demand contributing 0.5% to GDP growth.**

Private demand made a notable contribution through household spending and private investment.

Contributions to quarterly growth in GDP, chain volume measures, seasonally adjusted



So, we are seeing signs of recovery within the Australian economy – at least coming from internal factors. But before we all start patting ourselves on the back, we should remember that it is a very volatile world right now, and we never know which news headline we’ll be reading tomorrow.

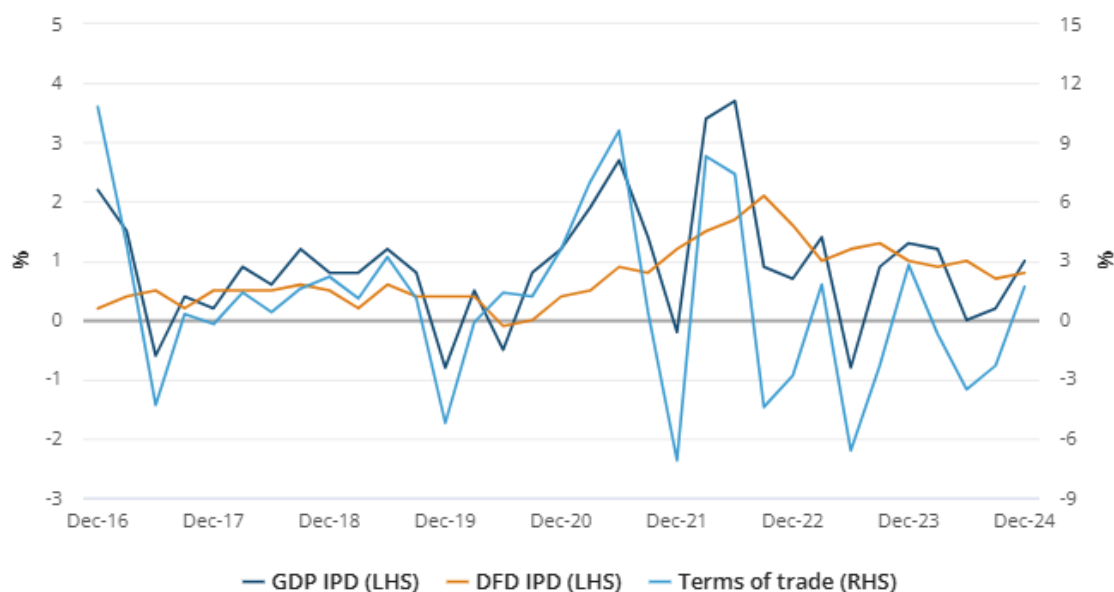
Inflation did come up for a breath of air last quarter with a very slight increase in prices.

Quarterly growth in prices, seasonally adjusted

Graph

Table

Download



Which given the black Friday and cyber-Monday sales and the general festive spirit that time of the year, is not unexpected.

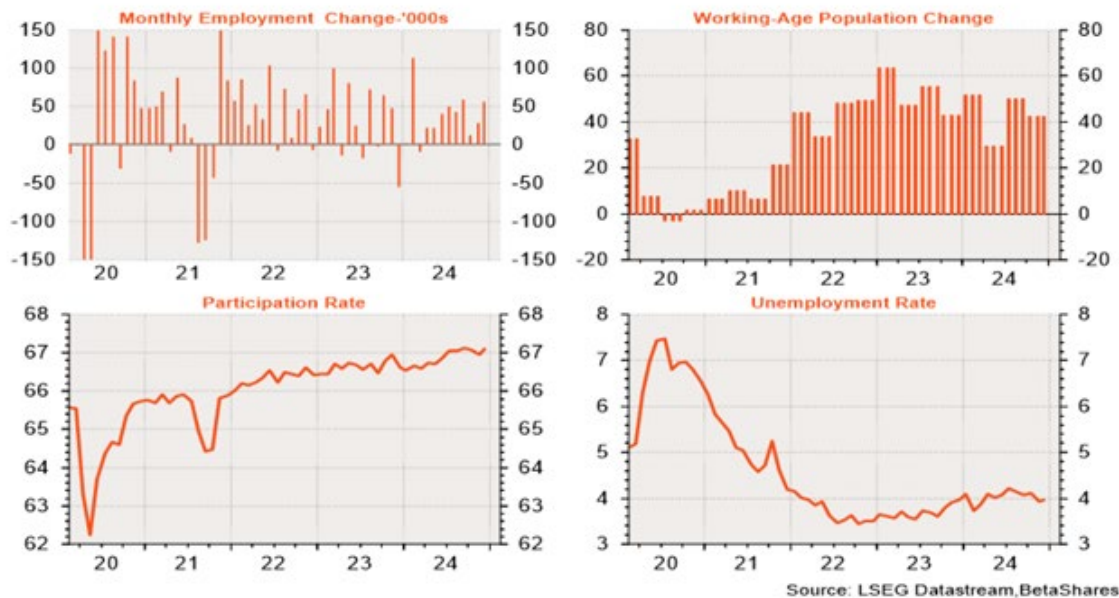
It wasn't enough to stop the RBA in joining most central banks around the world and giving us a 25-basis point reduction in rates, but they remain wary of our strong labour market, external factors and the affect dropping rates too quickly could have.

From the minutes, it was noted that while household debt repayments as a share of income were high and growth in private activity is subdued, their stance on monetary policy remains restrictive.

So, can we expect more rate drops in the future? It is possible. As long as we keep a handle on inflation and if, we're lucky, things overseas calm down a little bit. But once again, nobody knows what tomorrow will bring.

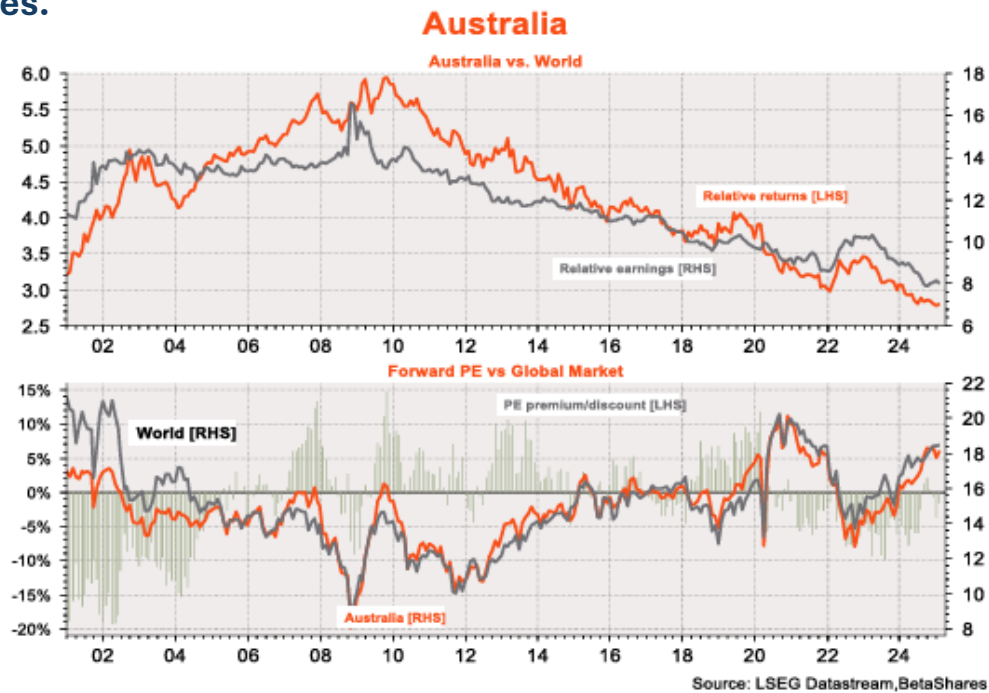
The labour market has remained robust, but we did see a slight uptick in unemployment, which would have boosted the RBA's case for a rate cut to help stimulate the economy.

Labour Market

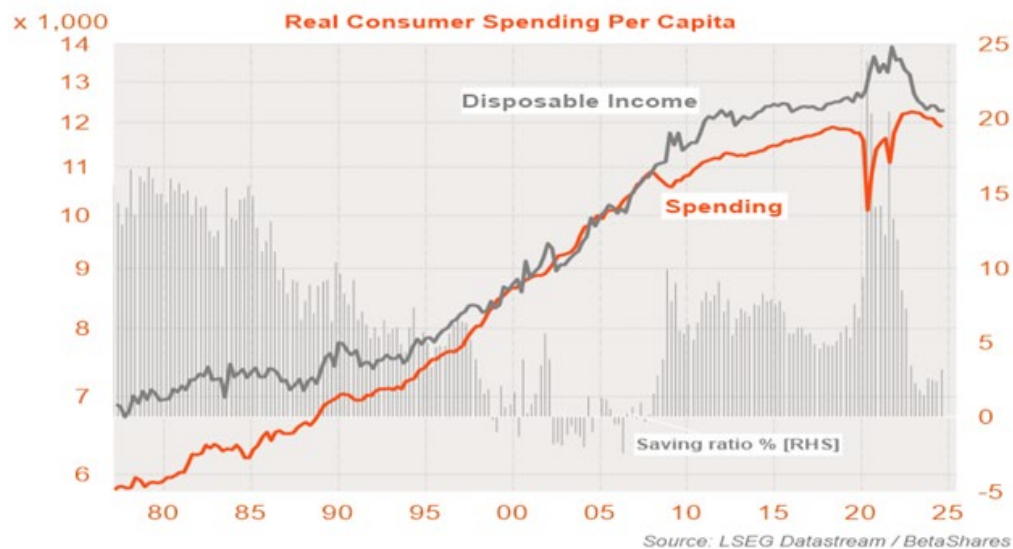


Participation rate continues to trend upward, which is just a great sign that all those who are willing and able are out in the workforce.

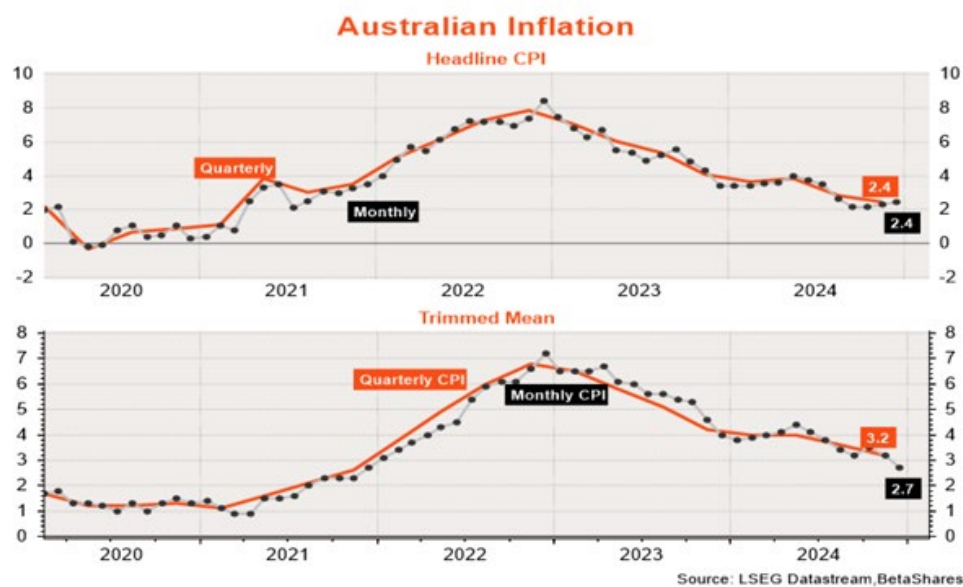
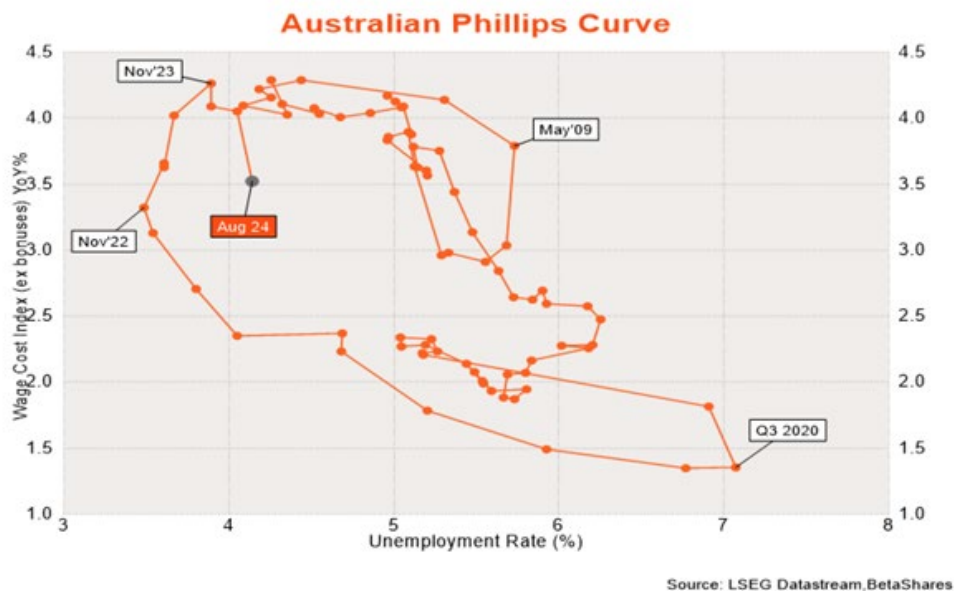
Earnings reports for the last quarter did come back a tad underwhelming which has meant a rocky start to the year for share prices.



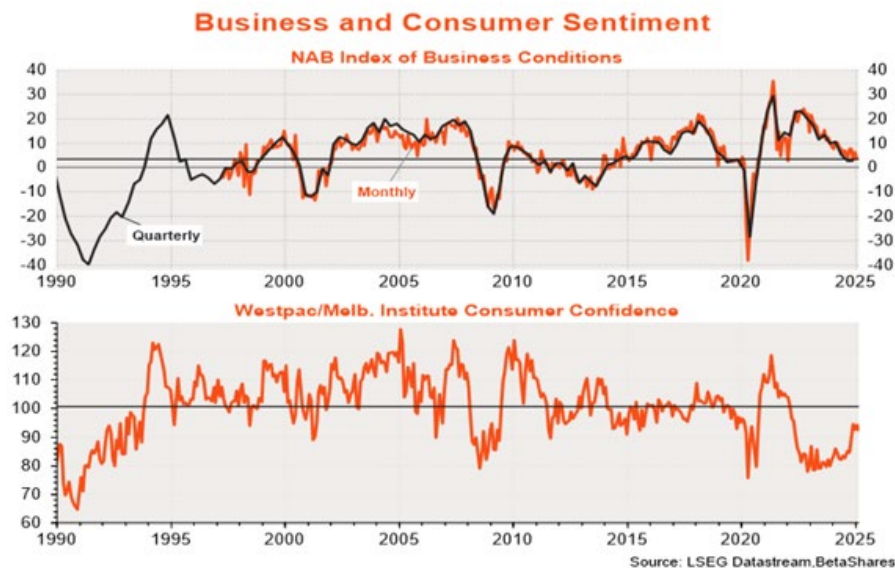
But in great news, the household income squeeze is easing.



Why? We've seen modest but important wage increases over the last year or so, an increase in unemployment which helps ease some pressure on wages and inflation continuing to trend lower.

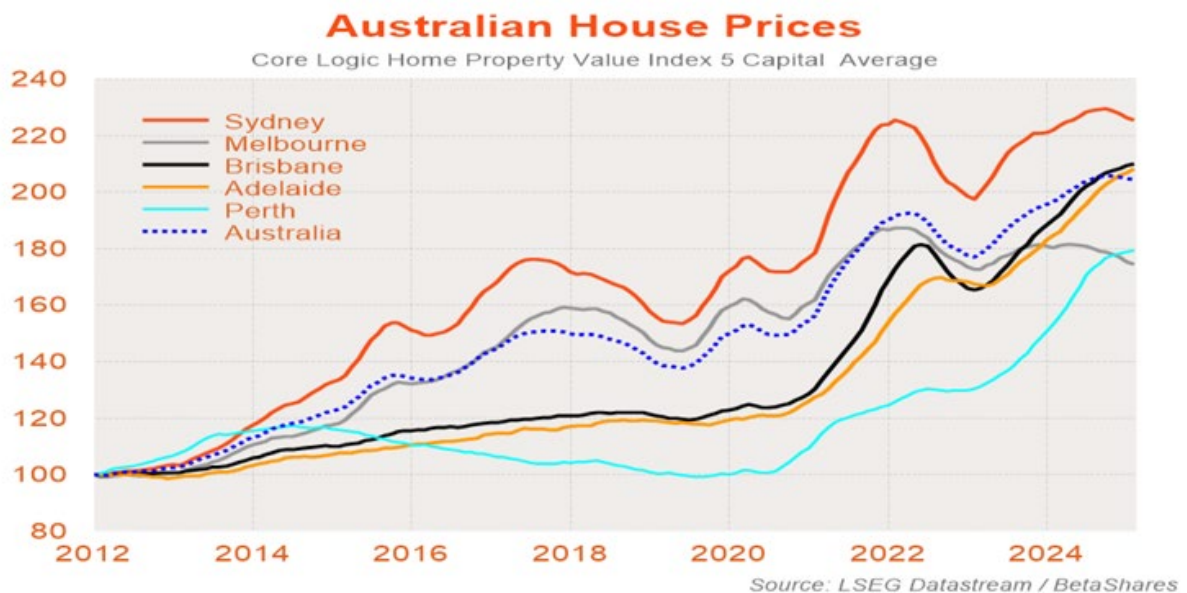


Business and consumer confidence remains subdued, but they have risen in recent months.



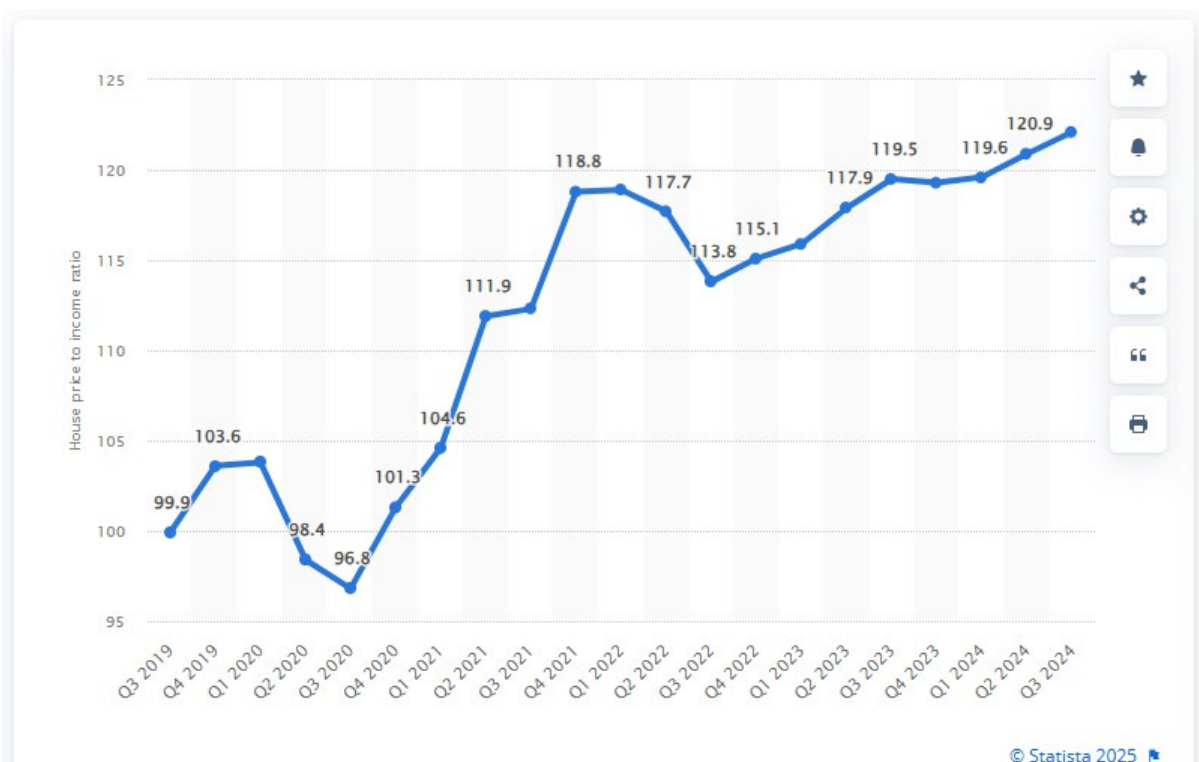
This is all good news for the economy. We saw a record year for stock markets last year but the real economy struggled. These are signs that things are going back to – well normal may not be the right word – but back to levels we are so lucky to be used to in Australia.

And we have seen a cool off of house prices, which is good news or bad news, depending on how you look at it.



This is good news for first home buyers, but affordability remains an issue.

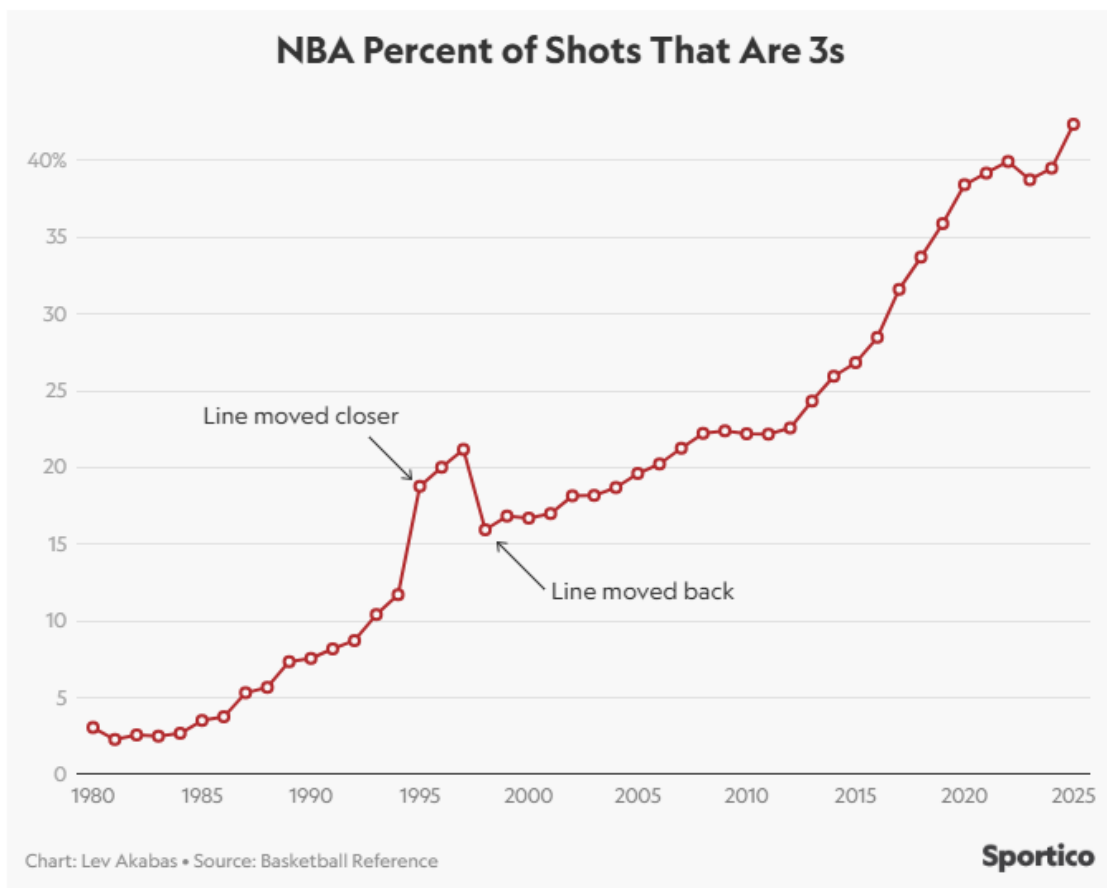
House price to income ratio



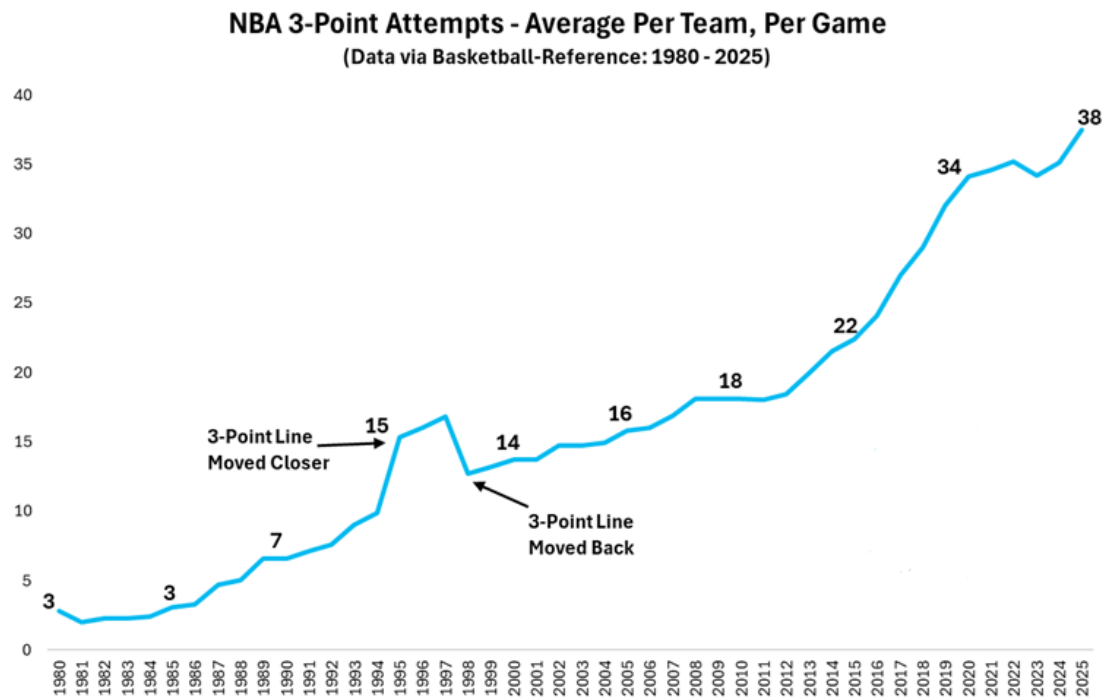
And finally, the beauty of economics, its many rollercoasters, blue skies and sunshine one day, doom and gloom the next. We try and stay neutral and across everything that's going on, and sometimes, we get some fun insights into statistics that may not impact our everyday lives, but are interesting, nonetheless.

And for the NBA fans, I'm sure we've all heard of Steph Curry – the Chef, while he may not be the direct cause of this, he has certainly changed the game of basketball forever.

The percentage of 3-pointers taken out of all shots in the NBA is now over 40%, well over a third of all shots!



And teams are now taking an average of 38 3-point attempts per game!

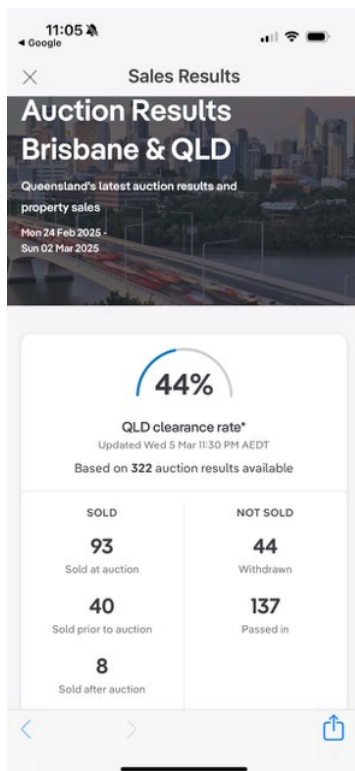
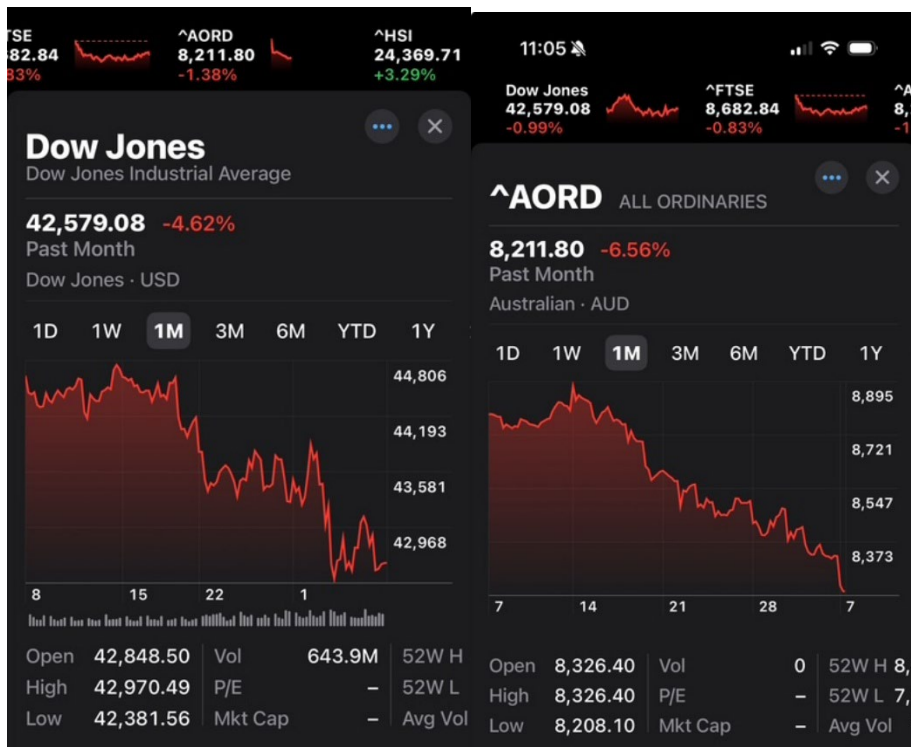


And for all those Ferrari and Formula 1 fans out there, Ferrari's market cap recently moved to a record of \$90 billion on sales of just 13,752 vehicles last year.

For comparison, Volkswagen's market cap is \$37 billion lower, despite selling over 9 million vehicles in 2024.



As Ferrari's CEO Benedetto Vigna stated: "We are not – we are not – an automotive company. We are a luxury company that is also doing cars."



I'm Troy Theobald of RFS advice, thanks for listening. And remember, we can't predict financial markets, but we can certainly plan for them.

General Advice Warning

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