

# MONTHLY MARKET UPDATE

October 2024

## How the different asset classes have fared:

(As of 31 October 2024)

Asset Class	10 Yr % p.a.	5 Yr % p.a.	3 Yr % p.a.	1 Yr % p.a.	YTD %	6 Mth %	3 Mth %	1 Mth %
Cash <sup>1</sup>	1.92	1.87	2.94	4.45	3.70	2.23	1.11	0.37
Australian Bonds <sup>2</sup>	1.91	-0.87	-0.79	6.94	1.14	2.18	-0.43	-1.90
International Bonds <sup>3</sup>		-1.26	-2.82	8.27	1.34	4.01	0.37	-1.74
Australian Shares <sup>4</sup>	8.61	8.45	7.56	25.36	10.92	8.10	2.49	-1.33
Int. Shares Unhedged <sup>5</sup>	13.26	13.32	11.44	29.29	21.55	10.15	2.12	3.84
Int. Shares Hedged <sup>6</sup>	10.31	11.11	6.20	31.54	17.17	9.99	2.12	-1.03
Emerging Markets Unhedged <sup>7</sup>	5.97	4.31	2.55	20.11	15.48	7.42	3.16	1.81
Listed Infrastructure Unhedged <sup>8</sup>	8.83	5.29	8.80	22.49	17.27	13.52	4.31	3.50
Australian Listed Property <sup>9</sup>	9.48	6.38	7.66	50.82	22.05	13.75	4.31	-2.57
Int. Listed Property Unhedged <sup>10</sup>	6.24	1.27	2.29	24.90	11.23	15.05	4.04	1.04
Gold Bullion Unhedged <sup>11</sup>	9.01	13.03	15.66	39.14	34.77	20.07	14.87	4.88
Oil Unhedged <sup>12</sup>	-9.42	-0.56	6.98	-3.18	8.83	-7.88	-6.56	2.92

1 S&P/ASX Bank Bill TR AUD, 2 Vanguard Australian Fixed Interest Index, 3 Vanguard Global Aggregate Bd Hdg ETF, 4 S&P/ASX All Ordinaries TR, 5 Vanguard International Shares Index, 6 Vanguard Intl Shares Index Hdg AUD TR, 7 Vanguard Emerging Markets Shares Index, 8 FTSE Developed Core Infrastructure 50/50 NR AUD, 9 S&P/ASX 300 AREIT TR, 10 FTSE EPRA/NAREIT Global REITs NR AUD, 11 LMBA Gold Price AM USD, 12 S&P GSCI Crude Oil TR

Source: Centreport Research Team, Morningstar Direct

## Key Themes:

- **Equities retreated:** Both Australian and international equities fell in October while the market faced the looming U.S. election and rising bond yields which pushed investors towards safer waters. In Australia it was bank stocks in the Financials sector which outperformed the rest of the market as investors rotated out of Materials stocks and back into the major banks.
- **Bond prices fall:** Australian and international bond prices also fell as bond yields rose in response to general market uncertainty, expectations of interest rates falling at a slower pace, and the belief that a Republican win in the U.S. election would result in more inflationary policies.
- **Australian Dollar depreciated:** The AUD depreciated against the USD as investors sought safety amidst market uncertainty and geopolitical tensions. Investors also left the AUD as expected demand for Australian trade by China fell due to Chinese stimulus efforts that were perceived as lacking.
- **Commodities rise:** Oil rose in October due to conflict in the Middle East and hurricanes in the U.S. creating supply concerns. Gold also rose as investors sought safety from market uncertainty.

## International Equities:

In October hedged international shares underperformed unhedged shares, with hedged shares returning -1.03% while unhedged international shares returned 3.84%. Unhedged shares outperformed due to the Australian Dollar (AUD) depreciating against the U.S. Dollar (USD) by 4.91% as strong economic data in the U.S. lowered expectations for rate cuts. These lowered expectations and uncertainty surrounding the U.S. election prompted an increase in yields and demand for USD as investors sought to take advantage of these yields.

Of the ten global market sectors only two posted positive returns in October, Information Technology which returned 1.12% and Communication Services which returned just 0.90%. Technology was vastly outperforming the rest of the market for most of the month, returning 5.94% from the start of the month to the 29<sup>th</sup> before falling drastically following Microsoft's earnings announcement in which the company beat expectations but announced expected headwinds in 2025. Other technology companies such as NVIDIA and Apple also fell on this news.

All other sectors retracted in October with Materials (-5.15%), Health Care (-4.49%), and Consumer Staples (-4.23%) leading the fall. The overall retraction across the market can be attributed to general uncertainty surrounding the potential for a shift in the interest rate policy in the United States and the looming U.S. election.

## Australian Equities

Australian equities retreated in October, falling by 1.33%, largely in line with the global market. This downturn can be attributed to continuing concerns about inflation, the U.S. election, and the souring on China's announced stimulus plans. There were only three sectors that rose in October, they were Financials which grew by 4.00%, Communications which grew by 2.50%, and Health Care which grew by 1.70%. In late September the market saw a rotation out the major bank stocks which had dominated over the year and into material stocks following the announcement of stimulus efforts in China. The market soured on these announcements at the start of October and this rotation reversed, with the bank stocks regaining much of what they lost at the end of September leading to this Financials sector performance.

On the downside it was Utilities, Consumer Staples, and Technology which retreated the most in October, falling by 7.30%, 7.00%, and 6.20% respectively. Consumer Staples fell as the largest share in the sector, Woolworths Group, returned -10.49% on a poor quarterly trading update and the announced ACCC supermarkets case.

## Domestic and International Fixed Income

Australian bonds returned -1.90% in October as yields started rising again. The Australian 10-year bond yield rose by 13.13% in October due to the inflation outlook in both Australia and the United States, this increase in the bond yield lowered the price of bonds and contributed to the fall in equity prices.

International bonds also retracted in October, returning -1.74% over the month. Just as in Australia this was largely driven by the expectation of interest rates remaining higher for longer than they were previously expected to, as well as the possibility that economic growth could remain strong following on from the U.S. election. These expectations led to the U.S. 10-year bond yield growing by 14.53%, driving down the price of U.S. bonds. Also contributing to this rise in yields was the possibility of a Republican victory in the election leading to the implementation of more inflationary policies.

## Australian Dollar

In October the Australian Dollar depreciated against the U.S. Dollar by 4.91%. This depreciation can be attributed to a number of factors, including strong economic data out of the U.S. which has led investors to believe rate cuts will be more modest in the near future and the USD's position as a safe haven currency which attracts investors during periods of uncertainty in the market, such as in the lead up to a major election or amidst continuing conflict between Israel and Iran. These factors increased the demand in the market for the U.S. Dollar and cause a depreciation in the exchange rate between AUD and USD. Also contributing on the downside for the Australian Dollar would have been the lack of follow up on the announced Chinese stimulus efforts, investors began to have less confidence in their effectiveness and the future of the Chinese economy and so lowered demand for the Australian Dollar which would have benefitted from newfound growth in the Chinese economy.

## Commodities – Gold and Oil

The price of oil rose by 2.92% in October. This rise stemmed from supply concerns around the conflict between Israel and Iran as well as production losses due to hurricanes in the Gulf Coast. The effect of these supply concerns was partially dampened due to the fact that current global demand for oil is already being met.

The price of gold also rose in October, returning 4.88%. Gold benefited from its role as a safe haven asset, as investors continue to flock to the metal in expectation of falling interest rates and continuing geopolitical tensions.

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