

MONTHLY MARKET UPDATE

November 2024

How the different asset classes have fared:

(As of 30 November 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 ¹	1.93	1.92	3.07	4.46	4.08	2.22	1.10	0.36
Australian Bonds ²	1.90	-0.81	-1.10	5.02	2.27	3.00	-0.51	1.11
International Bonds ³		-0.96	-2.67	5.93	2.62	4.46	0.66	1.27
Australian Shares ⁴	9.35	8.58	8.98	23.53	14.97	11.08	5.81	3.66
Int. Shares Unhedged ⁵	13.25	13.42	11.99	30.21	27.87	13.57	8.73	5.20
Int. Shares Hedged ⁶	10.48	11.50	8.51	27.85	23.02	10.97	5.37	4.99
Emerging Markets Unhedged ⁷	5.44	3.32	0.87	13.04	11.92	6.11	2.54	-3.08
Listed Infrastructure Unhedged ⁸	8.90	6.03	9.52	22.72	22.00	14.34	8.06	4.04
Australian Listed Property ⁹	9.73	6.40	7.10	39.16	24.92	14.25	6.16	2.35
Int. Listed Property Unhedged ¹⁰	6.11	1.81	2.00	22.24	14.94	17.13	5.29	3.34
Gold Bullion Unhedged ¹¹	8.44	12.84	14.02	30.74	29.18	13.72	5.55	-4.14
Oil Unhedged ¹²	-7.73	-1.16	14.58	1.56	7.57	-4.06	-4.23	-1.15

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 rose:** Both Australian and international equities rose in November. US equities grew on expectations for policies under a Trump presidency that will benefit US companies, mainly US banks and US energy stocks. In Australia, technology stocks grew as investors sought investment opportunities that would be less affected by global market challenges.
- **Bond prices rise:** Australian and international bond prices rose as bond yields fell in expectation of continuing rate cuts in both Australia and the US. This was despite Trump's planned policies that could have an inflationary effect on the US economy.
- **Australian Dollar depreciated:** The AUD depreciated against the USD as the USD strengthened after the result of the US election. The president-elect's proposed policies such as increased tariffs could increase inflation and slow interest rate cuts which would increase demand for the USD.
- **Commodities rise:** Oil fell in November due to global demand for oil stagnating and gold also fell as the strengthening USD lowers the need to use gold as a hedge against currency devaluation.

International Equities:

In November hedged international shares and unhedged international shares were the fastest growing asset classes, growing by 4.99% and 5.20% respectively. Unhedged international shares outperformed hedged due to strong growth in the value of the US Dollar (USD) relative to the Australian Dollar (AUD) following on from the result of the US election.

With Donald Trump's victory in the US election investors were drawn to US stocks under the belief that Trump's policies will be beneficial for US companies, with a particular focus on banks, technology stocks, and US based manufacturing companies. The strongest sector was consumer discretionary which grew by 7.62%, largely due to Tesla benefitting from Elon Musk's close relationship with the president-elect. The financials sector was the next best sector, growing by 7.46% with investors expecting a Trump presidency to mean looser banking regulation such as lower bank capital requirements that would improve profitability for US banks. Then we had the energy sector returning 4.95% and technology returning 4.59%, American oil companies also benefited from the belief that Trump policies would be a boon to them while technology stocks continued to grow as they have since the start of the year, with a bit of a boost from crypto related stocks such as Coinbase which have benefited from Trump's position on crypto currencies.

The only two sectors to fall in November were healthcare and materials, falling by 1.57% and 1.10% respectively. Healthcare stocks suffered as investors worry about what a Trump presidency will mean for health insurance subsidies. Materials has been a weak sector for much of this year and has continued to underperform due to fluctuations in material prices.

Australian Equities

Australian equities grew in November by 3.66%, reaching record highs. Leading that growth was the technology sector (10.87%) followed by the utilities sector (9.19%), and the consumer discretionary sector (7.53%). Technology stocks had a strong month as investors sought to find investment opportunities that are less affected by global market challenges. Utilities also grew from investors seeking more defensive stocks considering potential disruption in the market from Trump's victory in the US. Consumer discretionary stocks have risen after retail sales beat expectations by rising by 0.6% in October and consumer confidence increased.

In November just two sectors retreated, materials by 2.91% and energy by 1.72%. Just as in the US the materials sector suffered due to fluctuating material prices that caused investors to step away from the sector. The energy sector fell in Australia due to falling oil and coal prices from lower expected global demand.

Domestic and International Fixed Income

Australian bonds returned 1.11% in November as both the two-year and 10-year bond yields fell. The two-year bond yield fell by 12 basis points from 4.10% to 3.98% while the 10-year bond yield fell by 18 basis points from 4.37% to 4.19%. Yields fell following the announcement that the monthly Consumer Price Index (CPI) rose by 2.1% in October, the lowest inflation since July 2021. The trimmed mean inflation on the other hand, which the Reserve Bank of Australia focuses on for their interest rate decisions was 3.5% in October, up from 3.2% in September, showing that inflation is remaining somewhat sticky in the Australian economy.

International bonds also rose in November, returning 1.27% as bond yields fell. The US two-year bond yield fell by 3 basis points from 4.20% to 4.17% and the US 10-year bond yield fell by 20 basis points from 4.56% to 4.36%. This reduction in yields stems from the market continuing to expect sharp rate cuts from the Federal Reserve despite the fact that Donald Trump is expected to implement more inflationary policies.

Australian Dollar

In November the Australian Dollar depreciated against the US Dollar by 0.76%. This depreciation occurred more so due to the strength of the USD rather than weakness in the AUD. The USD has seen very strong performance since the result of the US election was decided, Trump's economic policies are seen as inflationary which will slow down interest rate cuts from the Federal Reserve which in turn increases demand for the USD. On the side

of the Australian Dollar though it was also continuing disappointment in China's stimulus announcements that lowered expected demand for Australian exports and the Australian Dollar.

Commodities – Gold and Oil

The price of oil fell by 1.15% in November, continuing its trend from the past six months as the growth outlook in China continues to disappoint and general demand for oil across the globe has stagnated. This fall has been despite the intensifying conflict in Ukraine and the continuing conflict in the Middle East.

Gold fell in November as well, retreating by 4.14%. This retraction can be attributed to the growing strength of the US Dollar as the two share an inverse relationship, when the USD is strong there is less need to use gold as a hedge against currency devaluation.

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