Investment & Economic Snapshot

November 2024

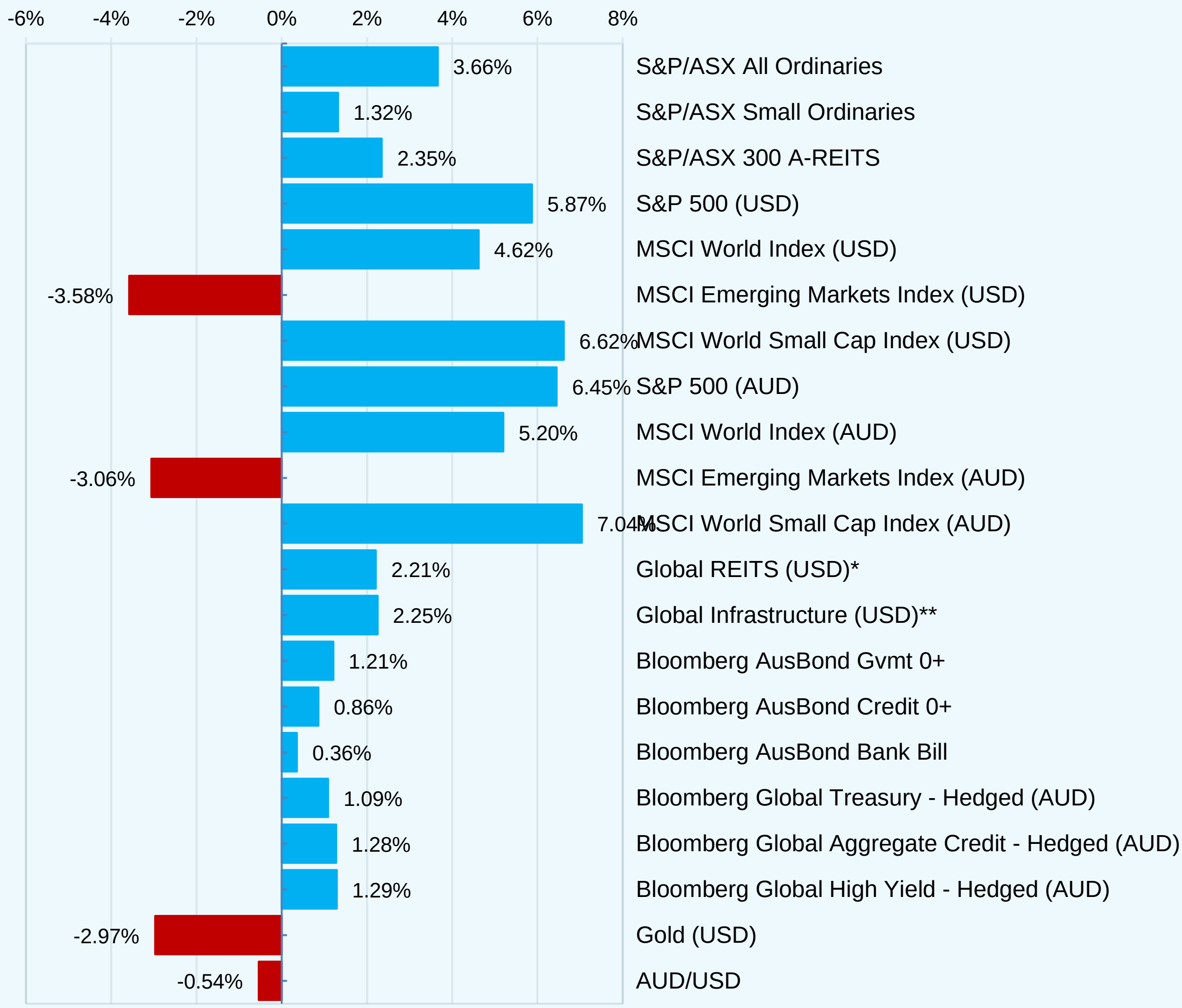
Summary

In November, equity markets rallied following a resounding US election victory for Donald Trump.

US and Australian share markets gained significantly, while other global markets, especially emerging markets, lagged.

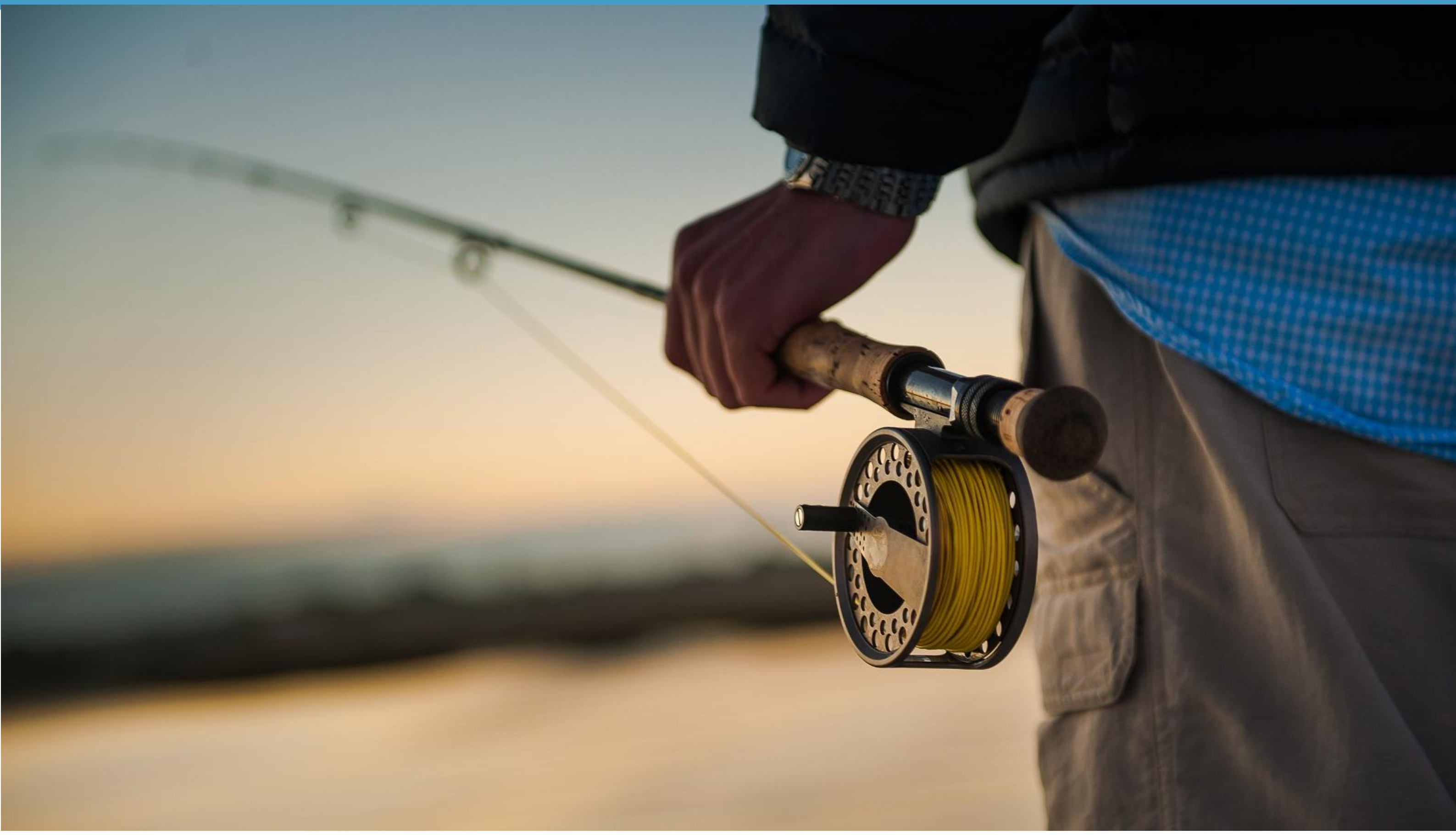
Bond markets experienced initial volatility post the election but ultimately stabilised, with US bonds ending the month stronger.

Selected Market Returns (%)
November 2024



Sources: *Refinitiv G-7 Diversified REIT Index, **FTSE Global Core Infrastructure 50/50 Index

Key Developments in November



Financial Markets

The MSCI World Index (USD) rallied 4.6% during November driven by US equities as investor sentiment surged in response to the US election outcomes. The "Trump trade" redirected capital flows toward regions and sectors anticipated to benefit from the new administration's expansionary policies, while simultaneously reducing exposure to markets likely to face headwinds.

Australian Equities

The S&P/ASX All Ordinaries reached new all-time highs in November closing the month 3.7% higher. The information technology sector led the gains rallying 10.5%. Utilities and financials followed with gains of 9.1% and 7% respectively. The materials sector declined, falling by 2.6%, following weaker commodity prices. Mid-caps had a strong month with the S&P ASX Mid Cap 50 Index rallying 5.7% while the S&P/ASX Small Ordinaries gained 1.3%.

Commodities

The price of gold pulled back from recent highs, falling by 3% to close at $2659 on the back of a stronger US dollar. Base metal prices softened as Chinese economic stimulus measures continued to underwhelm. Copper prices declined 5%, while iron ore rebounded 1% to $102.50 after October's significant drop.

Global Equities

US equities posted solid gains across the board, once again reaching new highs after an upbeat reaction to the presidential elections. The S&P 500 Index (USD) increased by 5.9%, the biggest monthly gain of the year. The rally was more pronounced for small and mid-cap stocks which expected to benefit more from the Trump administration's policies. The S&P Mid Cap 400 Index rose by 8.8% and the S&P Small Cap 600 Index jumped by 10.9%.

Consumer discretionary companies gained 13.3%, followed by financials which rallied 10.3% in anticipation of a wave of deregulation. The healthcare sector lagged, posting a modest 0.28% increase, reflecting potential regulatory challenges under a Trump administration.

The US earnings season neared completion, with third-quarter earnings increasing by 9%. While 76% of companies exceeded earnings expectations, large-cap forward guidance proved somewhat disappointing.

European and emerging markets experienced pressure, potentially due to anticipated tariffs and isolationist trade policies under the new US administration. The Euro 100 Index (EUR) closed marginally lower at 0.1%, while the MSCI Emerging Market Index (USD) declined 3.6%.

Bond Markets

US bond markets saw yields rise sharply post the results of the US elections but subsequently retraced their moves to end the month lower than they started. The benchmark US 10-year Treasury yield closed the month 9 basis points lower at 4.19%. A key driver for the bond market rally was the appointment of Scott Bessent as US Treasury Secretary. He is widely respected and seen as a fiscal Hawk who may be able to reign in some of Trump's more contentious fiscal policy ideas.

Australian bond prices weakened in November, and the benchmark 10-year bond yield rose 8 basis points to end the month at 4.35%.

Economic Developments

Australian Business and Consumer Confidence Rise

Australia's monthly CPI came in at 2.1% year-on-year, below the 2.5% expected, aided once again by government electricity subsidies. Trimmed mean CPI, which removes this impact, showed inflation rose to 3.5% from 3.2%. This data is consistent with the Reserve Bank of Australia's (RBA) assessment that inflation remains too high, and further progress would need to be made before the RBA would consider any rate cuts. Markets are now expecting the first cut in May next year.

The NAB Business Survey indicated business conditions remained steady. Within the survey, business confidence showed a sharp rise and employment expectations remained positive. Consumer confidence data recorded further improvement in November and now sits at a two-and-a-half-year high. The unemployment rate remained unchanged at 4.1% and unemployment expectations fell, indicating a more positive outlook for the labour market.

Diverging Global Economic Conditions

The US economy continues to prove resilient, however, in contrast, Europe is grappling with heightened recession risks and deflationary pressures. Third quarter US GDP came in as expected at an annualised growth rate 2.8%. In contrast, Eurozone growth measured 0.9%.

Despite relatively strong economic growth and a resilient labour market, the US Federal Reserve (Fed) cut interest rates by a further 25 basis points as expected, bringing total policy rate easing to 75 basis points. The Fed's post-meeting statement, however, was less dovish than previous communications, suggesting potential hesitation about another rate cut at the December meeting. The Fed may also be concerned about the potential inflationary impact of fiscal spending and proposed tariffs by the incoming Trump administration.

Outlook

US and Australian share markets continue to make new highs, buoyed by optimism for economic growth. Potential expansionary fiscal policies, including tax cuts, deregulation, and increased spending, are expected to support US economic growth and equity markets going forward.

However, after a strong equity market rally current market valuations appear stretched and could become vulnerable should economic data or fiscal policies disappoint. Bond markets may also face headwinds if excessive fiscal spending places upward pressure on inflation while economic growth remains tepid.

While equity markets sentiment remains positive, there are a number of uncertainties for the global economy as the Trump administration takes office in January. Under these circumstances, a constructive but prudent approach to portfolio positioning is warranted.

Major Market Indicators

	30-Nov-24	31-Oct-24	30-Sep-24	Qtr change	1-year change
Interest Rates (at close of period)					
Aus 90-day Bank Bills	4.42%	4.41%	4.42%	+4.0	+4.0
Aus 10yr Bond	4.35%	4.27%	3.92%	+37.7	-22.5
US 90-day T Bill	4.39%	4.44%	4.52%	-59.0	-86.0
US 10 yr Bond	4.19%	4.28%	3.79%	+27.5	-14.6
Currency (against the AUD)					
US Dollar	0.651	0.655	0.694	-3.99%	-1.75%
British Pound	0.513	0.507	0.518	-0.79%	-2.04%
Euro	0.617	0.606	0.621	0.36%	1.73%
Japanese Yen	97.64	99.92	99.32	-1.30%	-0.15%
Trade-Weighted Index	61.50	61.50	62.80	-1.76%	0.00%
Equity Markets					
Australian All Ordinaries	3.7%	-1.3%	3.4%	5.8%	23.5%
MSCI Australia Value (AUD)	3.5%	-1.6%	3.2%	5.1%	21.6%
MSCI Australia Growth (AUD)	6.2%	-0.3%	1.0%	6.9%	31.8%
S&P 500 (USD)	5.9%	-0.9%	2.1%	7.2%	33.9%
MSCI US Value (USD)	5.4%	-1.2%	1.7%	6.0%	29.7%
MSCI US Growth (USD)	7.0%	-0.3%	2.5%	9.4%	39.0%
MSCI World (USD)	4.6%	-2.0%	1.9%	4.5%	28.4%
Nikkei (YEN)	-2.2%	3.1%	-1.2%	-0.5%	16.2%
CSI 300 (CNY)	0.8%	-3.0%	21.1%	18.3%	15.5%
FTSE 100 (GBP)	2.6%	-1.4%	-1.5%	-0.4%	15.4%
DAX (EUR)	2.9%	-1.3%	2.2%	3.8%	21.0%
Euro 100 (EUR)	-0.1%	-2.6%	-0.8%	-3.5%	9.7%
MSCI Emerging Markets (USD)	-3.6%	-4.3%	6.7%	-1.6%	12.4%
Commodities					
Iron Ore (USD)	1.0%	-7.3%	8.4%	1.5%	-22.3%
Crude Oil WTI U$/BBL	-0.8%	1.2%	-7.7%	-7.4%	-8.7%
Gold Bullion $/t oz	-3.0%	4.1%	5.1%	6.2%	30.5%

Source: Quilla and Refinitv

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