Atchison

Monthly Market Update
November 2024

Key Events in November 2024

- Easing inflation pressures, central banks cutting rates, China ramping up policy stimulus and prospects for stronger growth in 2025-26 should make for reasonable investment returns over the next 6-12 months.
- The RBA held cash rate steady at 4.35%, but the mood has changed with economists forecast rate cuts may kick-in in the second half of calendar year 2025.
- In Australia, monthly consumer price data should show headline inflation or 2.2% over the year, which would imply a fall of 0.2% in prices over October. But don't read too much into monthly numbers.
- Australian home prices are likely to see some further slowing over the next few months as the supply shortfall remains, but still high interest rates constrain demand and unemployment rises.
- The ASX 200 rose +3.8% outperforming the US S&P 500 (+5.9%) and global equities ex-Australia +5.2%.
- The US remains the growth engine of the world. US Fed cut rates 25 bps to 4.5-4.75% with US consumer sentiment hitting a 7-month high.
- US equities were pushed higher by a broadening in market returns as investors priced in benefits from deregulation and reinflationary policies under a Trump regime.
- Trump tariffs are coming, but there will be lots of twists and turns. Trump's social media posts indicating a 10% tariff on China and 25% on Canada and Mexico from day one created a bit of volatility.
- Global interest rates still falling, but with potentially increasing divergence. The past week saw the once ultra hawkish RBNZ cut its cash rate by another 0.5% in the face of a weak economy and falling inflation.
- Eurozone CPI inflation edged up to 2.3%yoy in November, due to energy base effects with core inflation unchanged at 2.7%yoy. This won't alter the ECB's easing profile with another cut expected in December (probably -0.25% but it could be -0.5%) and the money market is pricing in around seven cuts out to October next year.
- Eurozone economic confidence rose slightly but remained weak in November consistent with weak PMIs with a further fall in the German IFO business conditions index highlighting the weakness in the German economy.
- Easing inflation pressures, central banks cutting rates, China ramping up policy stimulus and prospects for stronger growth in 2025-26 should make for reasonable investment returns over the next 6-12 months.

Asset Class Summary

Table 1: Asset Class Returns – Periods to 30 November 2024

Sectors	1 Month %	3 Months %	1 Year %	3 Years % pa	5 Years % pa	10 Years % pa
Australian Shares	3.78	5.46	23.29	9.50	8.17	8.88
Australian Small Companies	1.24	7.46	18.71	-0.89	3.92	7.09
International Shares (Unhedged)	5.20	8.73	30.21	11.99	13.42	13.25
International Shares (Hedged)	3.40	5.76	28.01	7.80	11.39	10.35
Emerging Markets (Unhedged)	-2.60	2.71	13.40	0.75	2.95	4.85
Australian Property Securities	1.48	2.77	27.43	3.21	3.21	8.69
Global Property Securities (Hedged)	3.01	1.55	19.45	-2.54	-0.31	
Global Listed Infrastructure (Hedged)	4.24	6.26	22.37			
Australian Bonds	1.03	-0.59	4.99	-0.98	-0.78	1.92
Global Bonds (Hedged)	0.96	0.14	5.48	-2.68	-1.05	
Cash	0.35	1.13	4.55	3.13	1.98	
AUD/USD	-0.79%	US$ 0.6517				

Past performance is not a reliable indicator of future performance.
Source: iShares Core S&P/ASX 200 ETF, iShares S&P/ASX Small Ordinaries ETF, Vanguard International Shares Index, Vanguard MSCI Index Intl Shrs (H) ETF, iShares MSCI Emerging Markets ETF, VanEck Australian Property ETF, VanEck FTSE Intl Prop Hdg ETF, iShares Core FTSE Global Infrastructure (AUD Hedged), iShares Core Composite Bond ETF, Vanguard Global Aggregate Bd Hdg ETF, iShares Core Cash ETF

Australian Markets

The Australian share market had its second-best month of 2024 rising 3.8% over November on the back of the Industrials sector (+5.9%) and outperforming European and Asian markets but underperforming the US S&P 500 (+5.9%) and global equities ex-Australia +5.2%.

The best performing sectors for the month were Information Technology +10.5%, Utilities +9.1%, and Financials ex-property +7.0%. The worst performing sectors were Materials -2.6% and Energy -0.7% due to investor concerns over a faltering Chinese economy potentially compounded further by the introduction of US tariffs. Australian property securities gained +2.5% assisted by the pull=back in bond yields.

Top three contributors to the ASX 200 were CBA +0.89%, Wesfarmers +0.17% and Wesfarmers +0.14%. Conversely major resource companies and CSL weighed on the market.

Valuations jumped over the month to 21.1x forward price-to-earnings (P/E) ratio on the ASX 200 versus long-term average of 15x.

Global Markets

Global stock markets enjoyed strong gains in November on the back of Trump's clear winner of the US Presidential election. While emerging markets came under pressure amid worries over trade tariffs. For November global equity markets ex-Australia returned +5.2% on an unhedged basis and +3.4% on a hedged basis but Emerging Market equities returned -2.6% for the month.

US stock market was driven by Consumer Discretionary and Financials sectors. Within Consumer Discretionary, some carmakers and retailers experienced strong gains. Within Financials, banks drew support from expectations of a light touch approach to regulation under the incoming Trump administration.

Eurozone shares, as measured by the MSCI EMU index, were virtually flat in November. Information Technology and Communication Services sectors were among the top gainers, Materials and Consumer Staples suffered.

Bonds

Global bond markets ended the month on a positive note returning +1.0% for November, despite volatility earlier in the month surrounding the US elections. Australian bonds also returned +1.0%.

US 10-year Treasury yield ended the month 11 basis points lower, dropping to 4.17% (reminder: yields move inversely to prices). In the UK, gilts rallied over the month. Early in November, the Bank of England (BoE) cut interest rates by 25 bps, to 4.75%

Within corporate bonds, significant rallies were seen in US high yield (HY) where, spreads ground even tighter, to historical lows. contrast, European HY widened as spreads were impacted by the political turmoil in France and structural economic challenges in Germany.

Currencies

The U.S. dollar continued to rise supported by "Trump trade" weighing down most major currencies, $A/$US fell 0.79% to 65.17.

Outlook for Investment Markets

We expect interest rate cuts to progress in 2025 across most developed and emerging markets with divergence in their pace and timing. Atchison remain optimistic that major economies can achieve sustained economic growth as rates ease, although the range of macroeconomic outcomes has widened following the US elections. We are not quite out of the woods yet!

Rate cuts favour fixed income. Asset allocation decisions that land on bonds may prove rewarding in 2025. Opportunity to ride the easing cycle, capture income across corporate and securitised credit, and use a dynamic approach across sectors and regions.

High valuations in some areas of the equity market provide motivation for diversification. Atchison expects the return structure of the stock market to broaden in 2025. Areas potentially worth identifying are undervalued US stocks, and international developed and emerging markets, across the market cap spectrum.

As economies adjust, private markets and other alternative assets continue to evolve and attract a broader base of investors in 2025 seeking to complement traditional market exposures. The opportunity set now available to most investors includes private equity, private credit, real estate, infrastructure and hedge funds.

We are moving into an era of disruption. Geopolitics, supply chain shifts and the rise of AI will remain prominent themes in 2025. Mapping their long-term implications, identifying opportunities at their intersection, and strategically allocating across public and private markets should have the potential drive positive returns whilst minimising volatility due to adverse shocks to markets.

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