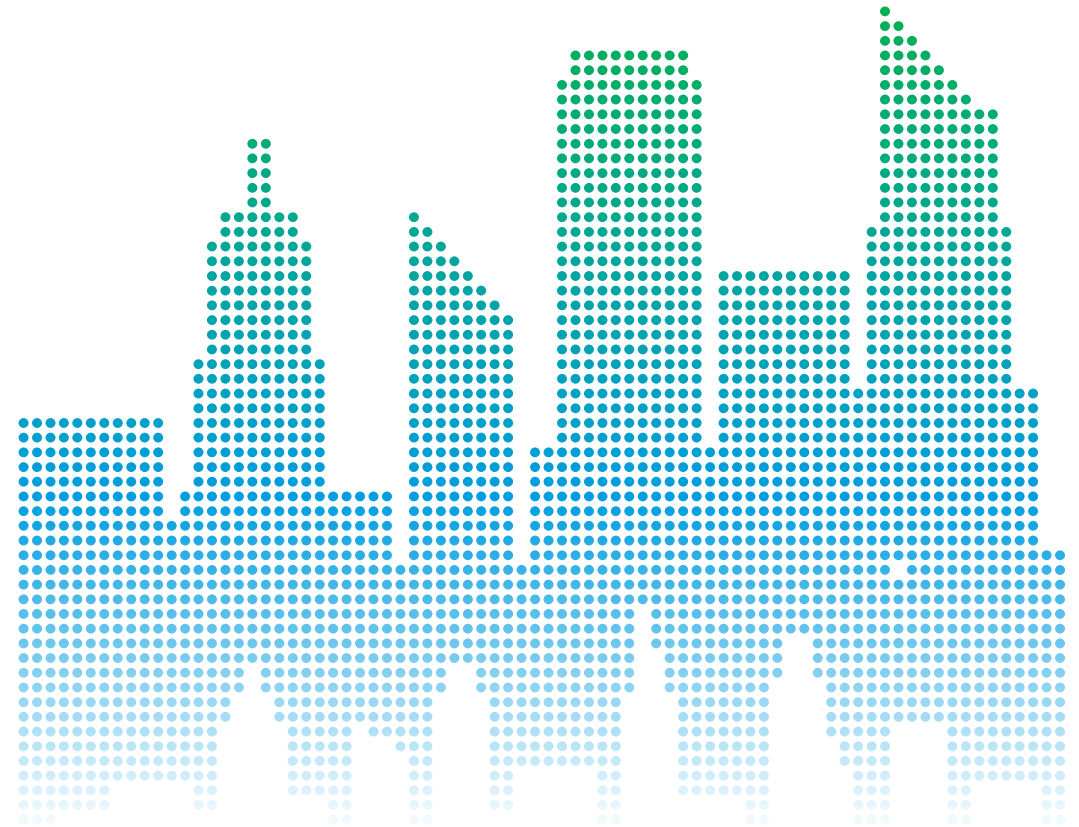


Market Review Monthly

November 2024



Key takeaways

- President-elect Trump winning the US presidential election puts tariffs and trade wars back in the spotlight.
- US Q3 corporate earnings season was solid with more companies having upside surprises to earnings than disappointments.
- Economic data continues to point to a soft landing for the global economy, with growth slowing but not entering a recession.
- Global central banks are likely to continue cutting interest rates gradually, except in Japan where rates are expected to rise as it emerges from a period of deflation.
- We favour global listed property where fundamentals are broadly healthy, and valuations are attractive. Also, we favour Japan equities due to the economic growth rebound and solid earnings growth.
- We expect growth to remain subdued in Australia and favour Australian government bonds as cash rates are likely to have peaked this cycle.



Research



[Investment themes and opportunities 2025](#)



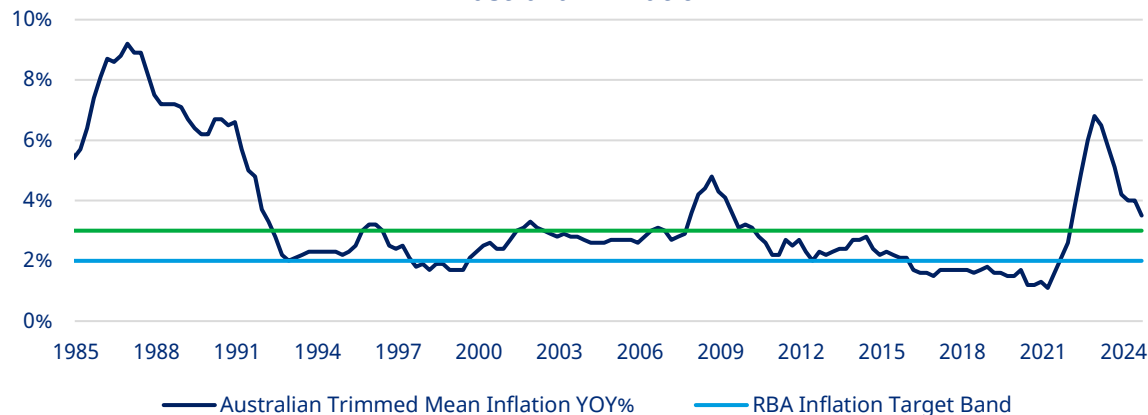
[Economic and Market Outlook 2025](#)

Economic review

Australia: RBA rates remains on hold until inflation falls further

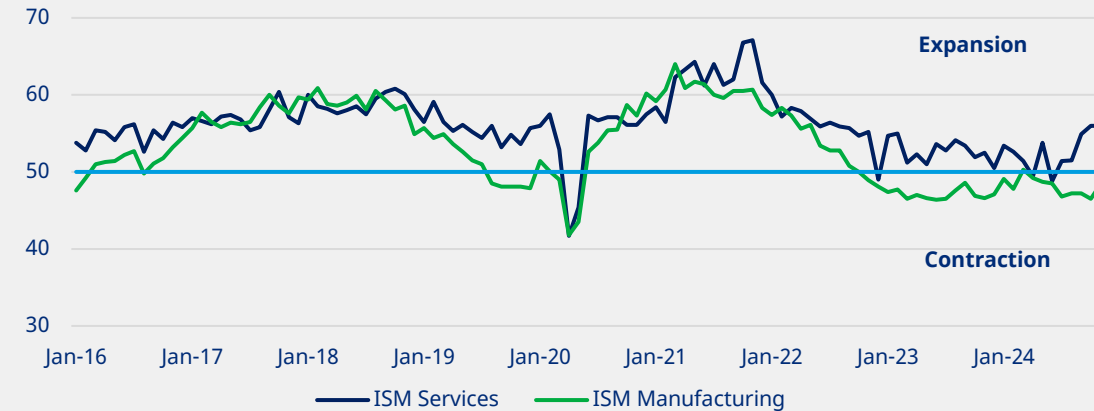
- The Reserve Bank of Australia (RBA) kept interest rates unchanged at 4.35% p.a. for the eighth consecutive month. The governor noted that while overall inflation had declined, underlying quarter-on-quarter (QoQ) inflation was still too high. The RBA wants to see a further two quarters of falling inflation before they will be confident that the decline is sustainable.
- Australia's employment data for October came in broadly in line with expectations. The number of employed persons grew by an estimated 15,900 over the month with the unemployment unchanged at 4.1% (vs September). The participation rate reduced slightly from a record high, while the underemployment fell to 6.2% for October, the lowest reading since April 2023.
- The Australian Westpac Consumer Confidence Index rose again in November, influenced by consumer expectation around interest rates, with over 52% now expecting mortgage rates to be the same or lower by this time next year, compared to 27% in July.

Australian Inflation



Source: Bloomberg, Mercer

ISM Business Survey (US)



Source: Bloomberg, Mercer

International: US resilience continues

- The US Federal Reserve (Fed) cut rates by 0.25% to 4.50 - 4.75% p.a. US economic data continues to point to an expanding economy with job gains in October and a stable unemployment rate that remains at 4.1%. Business surveys also point to an economy that remains in expansion.
- The US 3rd quarter corporate earnings season ended strongly with the S&P500 showing an earnings growth of +8.2% YoY, with the Communications sector experiencing the largest growth. The highly anticipated results from Nvidia demonstrated continued strong growth, with earnings increasing by +101% YoY.
- Trump announced his tariff plans to impose a 25% tariff on imports from Canada and Mexico and an additional 10% tariff on China's imports immediately after taking office. These countries are the US's three top trading partners.

Market review

Equity markets higher over the month

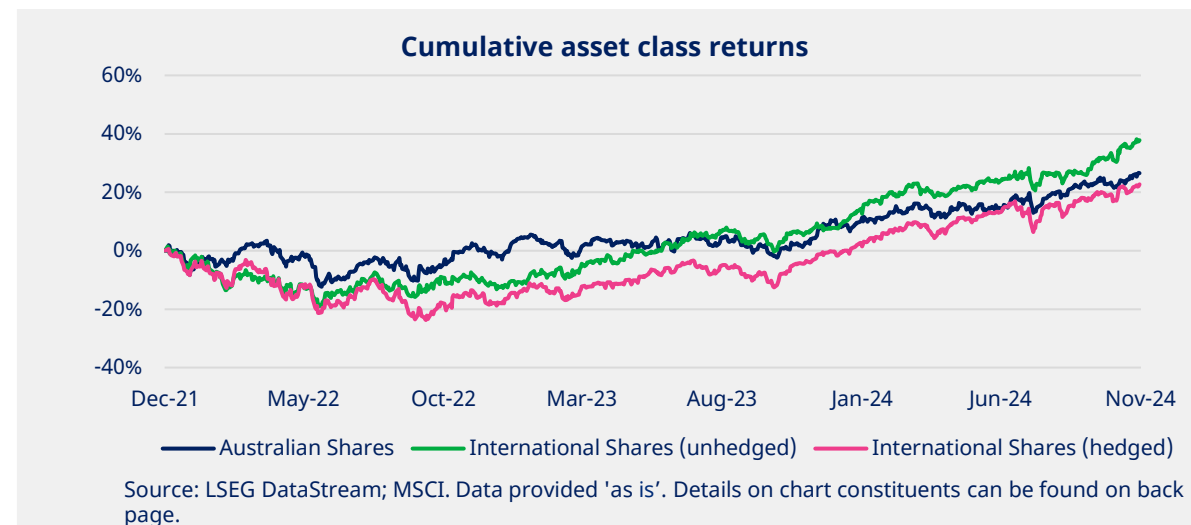
- Australian Shares ended November higher following international markets as investors' confidence improved following the US election.
- International Shares (Hedged) ended November higher following positive corporate earnings reporting and investor confidence being buoyed by the US election.
- International Shares (Unhedged) produced higher returns as the Australian dollar (AUD) slightly depreciated over the month.

Fixed income markets higher

- International Government Bond prices rose following the US election likely reflecting concern on President-elect Trump's tariff plans and their possible impacts to growth.
- The fall in bond yields over the month reverses some of the climb we have seen in bond yields over prior months.
- International Credit had a positive return due to falling yields and positive investor risk appetite.

Commodity markets weaker

- Iron ore ended the month slightly lower, likely reflecting the possible impact of tariffs on China. Copper was also lower in November.
- Oil ended the month lower as investors possibly priced in a likely ceasefire in Middle East.
- Gold prices fell as the possible ceasefire in the Middle East and the certainty of the US election outcome reduced risk aversion.



Market Insights

Australia: Interest rates unchanged at 4.35%

- Whilst the Reserve Bank of Australia (RBA) is cautious about inflation risks, we do not believe that it will raise interest rates significantly amid weak growth. Instead, we remain of the view interest rates have peaked for this cycle.
- We continue to expect growth to remain weak as higher interest rates and cost-of-living pressures are likely to keep consumption suppressed.
- Domestically, we favour Australian sovereign bonds over cash with interest rates likely to have peaked this cycle.

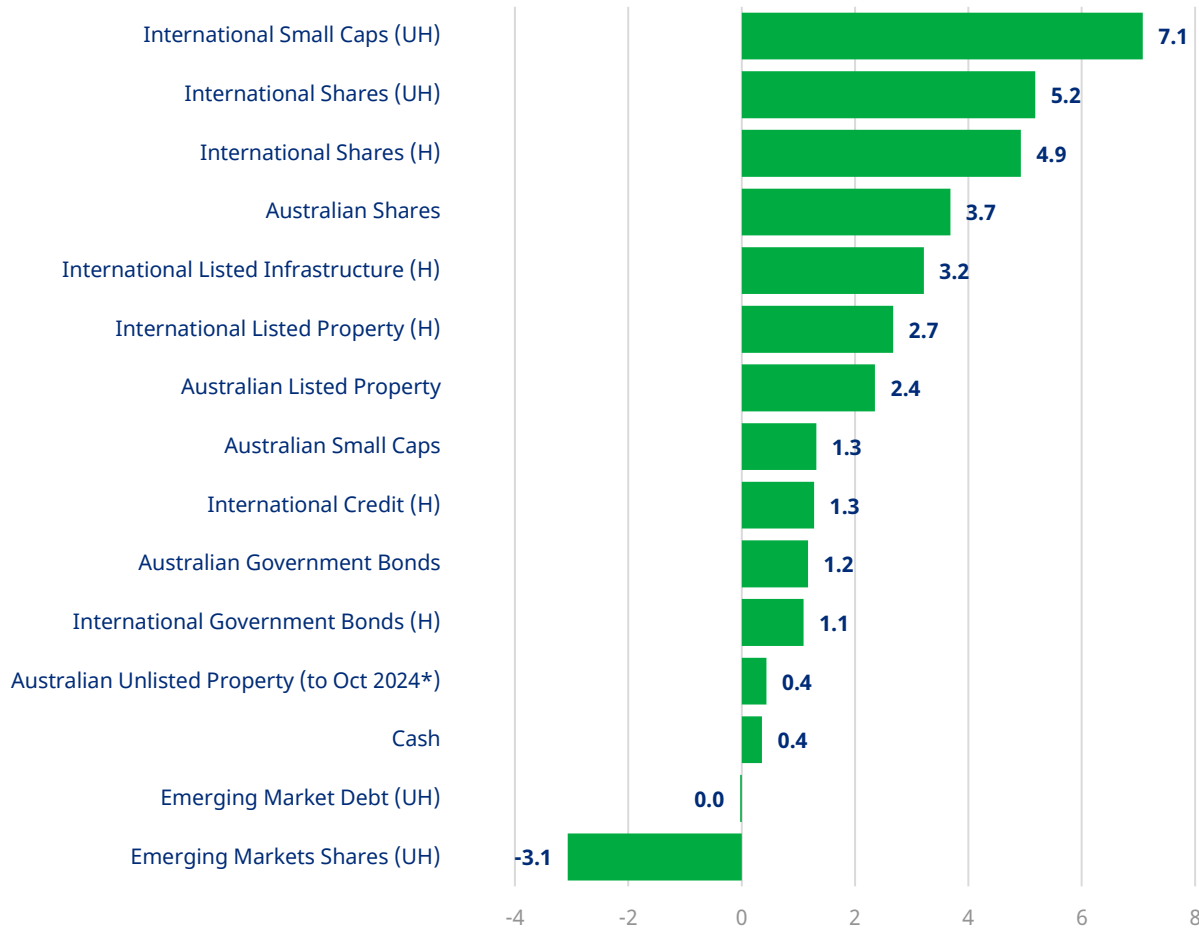


International: Regional divergence expected

- We expect international economic growth to remain resilient but regionally divergent.
- We expect the US economy to grow at a slower pace than previously, but the global economy is likely to avoid recession.
- Global central banks are likely to continue to cut rates but are likely to do so more gradually. The exception is Japan where we expect interest rates to rise as it emerges from a multi-decade period of deflation.
- We favour global listed property where fundamentals are broadly healthy, and valuations are attractive. We also favour Japanese equities due to a rebound in economic growth and solid earnings growth.
- We expect China's growth to improve with supportive stimulus policies and other emerging economies to benefit from these policies as well as their own central bank actions. The extent of growth will depend on Trump's tariff plans.

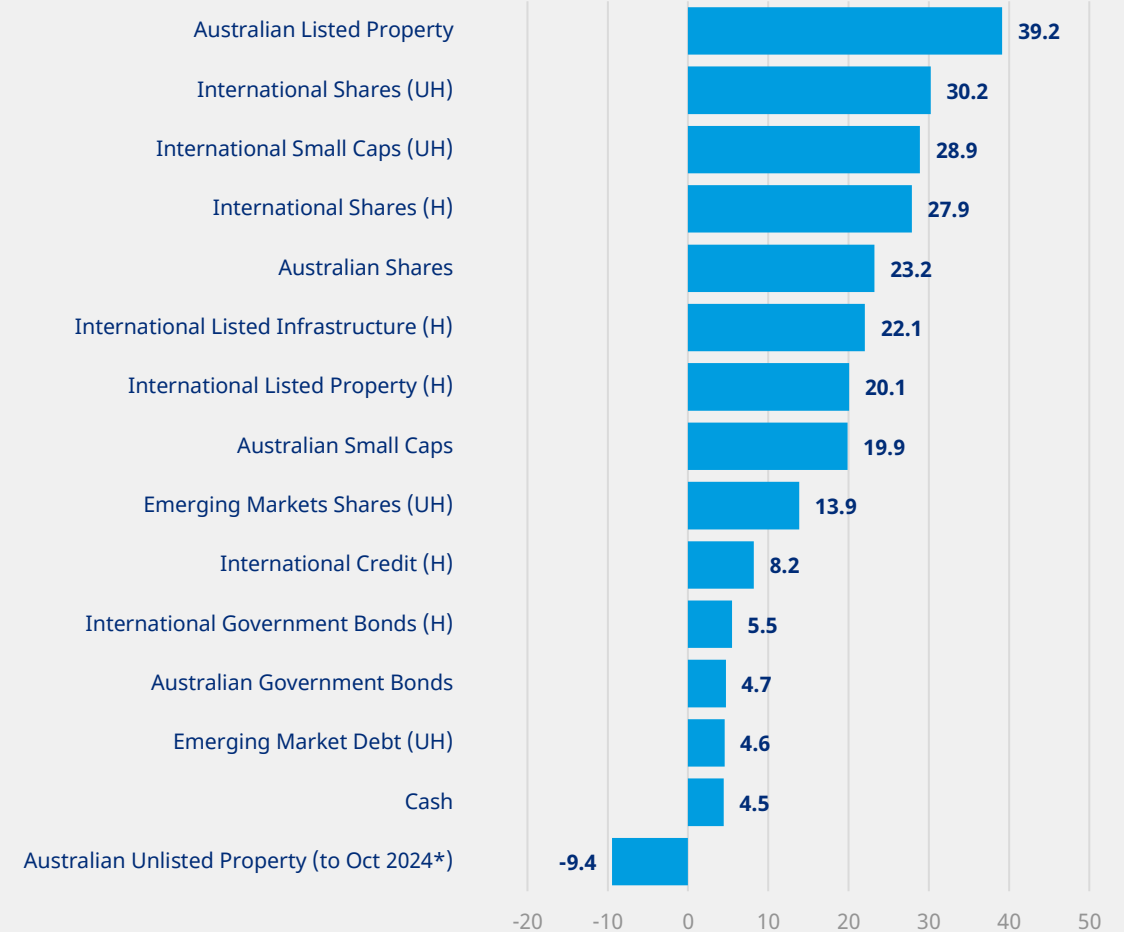
Performance

Market performance November 2024



Data source: LSEG Datastream. Data provided 'as is'. Details on chart constituents can be found on back page

Market performance 12 Months to November 2024



Data source: LSEG Datastream. Data provided 'as is'. Details on chart constituents can be found on back page

Asset class

▲ Australian shares

- Australian Shares ended November higher following international markets as investors' confidence improved following the US election.
- The IT sector performed the best, while the Material sector lost some of last month's gains and was the worst performing sector for November.
- Sigma Healthcare was the largest gainer over the month after the competition regulator approved its merger with Chemist Warehouse.
- Australian Small Cap shares didn't follow the US small cap lead and underperformed large caps in November.

▲ International shares

- International Shares (Hedged) rose in November due to strong US corporate earnings and increased investor confidence from the US election outcome. International Shares (Unhedged) also had positive returns, due to a slight decline of the AUD during the month.
- Consumer Discretionary was the best performing sector in International Shares with Tesla performing strongly, as Tesla is likely to benefit from tariffs on Chinese imports.
- Emerging market equities had a disappointing month (-3.1%) in November due to the likelihood that President Trump will impose tariffs to China's imports.



▲ Fixed interest

- International Government Bonds delivered a positive return in November as bond yields fell, due to concerns regarding the US tariff plans and their possible impact on growth.
- Australian Government Bond returns were also positive for the month on the back of US yields falling.

▼ Real Assets

- Interest rate sensitive assets like Australian Listed Property, International Listed Property and International Listed Infrastructure performed well as government bond yields fell. In Australia, Scentre saw strong gains following its latest operating update which confirmed continued solid occupancy rates.
- Australian unlisted property saw gains over the month with the return driven by income.

▼ Currency

- The AUD depreciated against the USD in November. This can mostly be attributed to US currency strength as most currencies also depreciated against the USD following the US election except for Japanese Yen (JPY). Election optimism and solid economic data in the US likely pushed the USD higher.
- The AUD also depreciated against JPY in November but appreciated against the EURO and Pound.

Chart Constituents

Asset class	Benchmark	Data type
Australian Shares	S&P/ASX 300	Total Return
Australian Small Caps	S&P/ASX Small Ordinaries	Total Return
International Shares (UH)	MSCI World ex Australia	Net Index
International Shares (H)	MSCI World ex Australia 100% Hedged	Net Index
International Small Caps (UH)	MSCI World Small Cap	Net Return
Emerging Markets Shares (UH)	MSCI Emerging Markets	Net Index
Australian Unlisted Property (one month lag)	MSCI/Mercer Australia Core Wholesale Monthly PFI	NAV Post Fee
Australian Listed Property	S&P/ASX 300 A-REIT	Total Return
International Listed Property (H)	FTSE EPRA/NAREIT Developed Hedged	Net Return
International Listed Infrastructure (H)	FTSE Global Core Infrastructure 50/50 Hedged	Net Return
International Credit (H)	Bloomberg Global Credit	Hedged Return
Emerging Market Debt (UH)	JP Morgan GBI EM Global Diversified Composite	Total Return
Australian Government Bonds	Bloomberg AusBond Treasury 0+ year	Total Return
International Government Bonds (H)	Bloomberg Global Treasury Hedged	Hedged Return
Cash	Bloomberg AusBond Bank Bill	Total Return

Notes

- *Currency: AUD.*
- *UH: Unhedged.*
- *H: Hedged.*
- *Where a lag exists, the performance start and end dates shift accordingly.*
- *Total Return: Total Return Index with Gross Dividends.*
- *Net Index: Total Return (Net Dividends Reinvested).*

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