

# Monthly Market Snapshot

August 2024

The Monthly Market Snapshot publication provides commentary on the global economy and the performance of financial markets.

# Market commentary

In August 2024, the start of the month saw increased volatility and large falls in equity markets. As the month progressed most of the volatility dissipated, and markets in aggregate recovered to positive returns.

In the US, a worse than expected increase in the unemployment rate and downgrades in company earnings revisions, particularly a tempering of the very positive growth outlook for the Technology sector, dragged down US equities at the start of the month. As the month progressed, sentiment improved, supporting expectations of economic resilience, and US markets finishing the month with positive returns.

Japanese equities dropped 12% in one day and were down 20% at the start of August 2024. Markets were impacted by the Bank of Japan increasing rates for the second time in 2024 and by uncertainty on the US economic outlook. The move in interest rates saw a spike in investors seeking to unwind carry trades, where investors borrowing at Japan's low interest rates and investing in higher yielding markets, reversed positions. Losses were almost retraced by month's end, with supporting factors such as wage growth, company earnings and higher inflation.

Emerging market equities were also impacted by global market volatility in August, especially countries with high technology sector concentration or exposure to carry-trades. Chinese equities were down again in August, with continued concerns regarding slowing economic fundamentals and the property sector crisis. New loans issued were negative for the first time since July 2005, adding to concerns of a possible 'balance sheet recession'.

The US Federal Reserve left rates unchanged at its July meeting. However, comments by Fed Chairman Jerome Powell at the recent Federal Reserve annual Economic Policy Symposium, along with the trend of moderating inflation and labor market conditions, have supported expectations of near-term rate cuts.

Other developed markets started cutting rates including the Bank of England and the Bank of New Zealand. The BOJ is moving in the opposite

direction, tightening monetary policy further. While in Australia, the Reserve Bank left rates unchanged. While Australian inflation has moderated it remains above the target range, with the Reserve Bank more concerned about persistent inflation and potential for 'upside risks' to inflation than most other developed market economies.

Nominal bond yields were lower amid the strong risk aversion, although did not reverse as equity markets rebounded, as markets priced in meaningful rate cuts. Japanese bond yields also moved slightly lower, despite Japan being one of the only economies where interest rates are increasing.

The Australian dollar depreciated against major currencies at the start of August but recovered towards the end of the month, with positive returns against most currencies except Japan. The Japanese Yen had particularly sharp appreciation, driven by the BOJ increasing rates. The appreciation has moderated towards the end of the month.

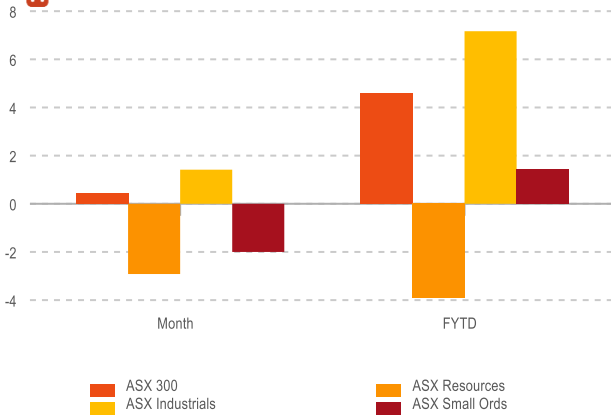
Crude oil was down in August, and prices continue to be volatile due to geopolitical uncertainty and notice of changes in supply indicated by OPEC (increased supply) and Libya (stopped supply).

Listed property and infrastructure both had positive returns benefiting from the decrease in bond yields, except for listed Australian infrastructure which had a small loss.

# August 2024



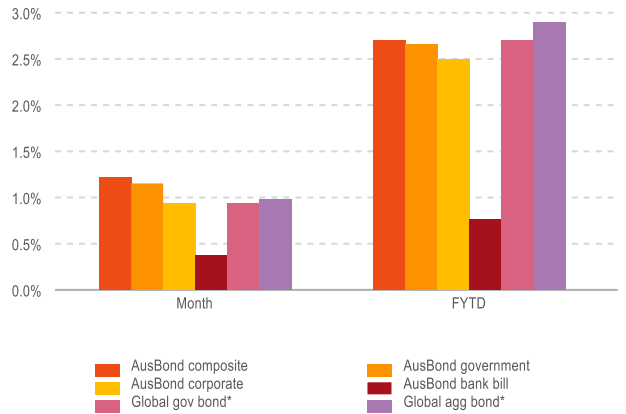
## Australian equities



Source: LSEG Datastream



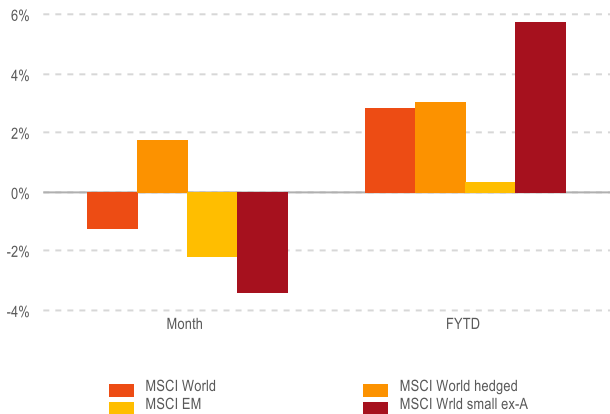
## Fixed income



Source: LSEG Datastream



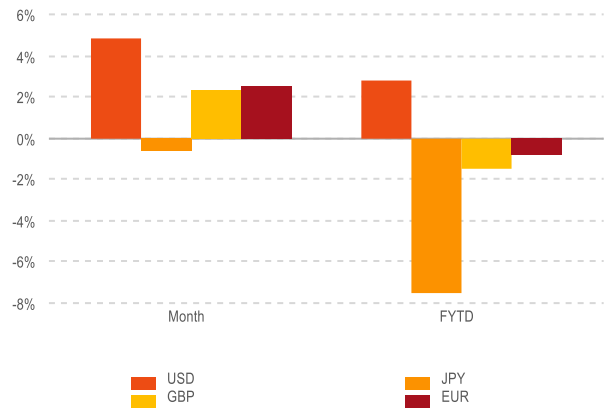
## International equities (\$A)



Source: LSEG Datastream



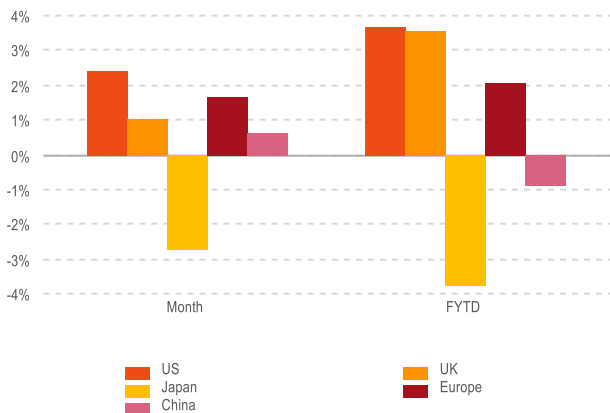
## Australian dollar



Source: LSEG Datastream



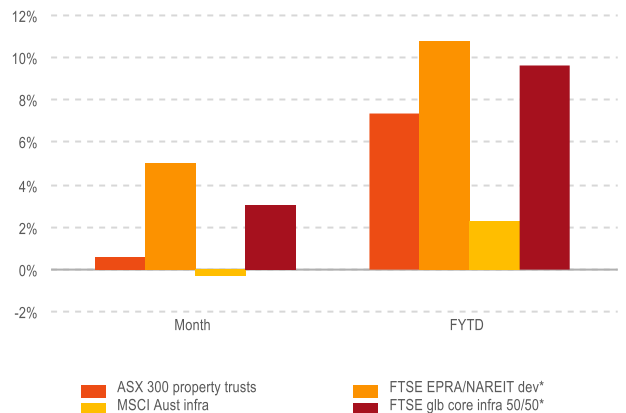
## International equities



Source: LSEG Datastream



## Real assets



Source: LSEG Datastream \*Hedged A\$

Details of the indices are in the table on the next page



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