

# Monthly Market Snapshot

December 2023

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

# Market commentary

The final month of 2023 was positive for investors, with strong returns across most major asset classes. This upturn was fuelled by expectations of central banks, particularly the Federal Reserve, potentially cutting interest rates earlier and by a larger amount in 2024 than previously anticipated. Developed market equities and global aggregate bonds saw robust returns, while commodities lagged behind.

Global equity markets extended its rally in November, with the S&P 500 and European equities delivering strong returns. Emerging market equities also delivered positive returns despite weak Chinese performance. Returns for the full year were dominated by the 'magnificent seven' tech and AI stocks.

Japanese equities lagged for the month but produced significant returns over 2023, benefiting from shifts in central bank policy and solid economic growth.

Global fixed income markets performed well during December, with government bonds delivering strong returns, especially in Europe. Credit markets also benefited from tightening spreads.

The Federal Reserve's indications of potential rate cuts in 2024 had a pronounced impact on financial markets. Bond yields, including the 10-year Treasury bond, fell significantly, while equity prices surged, and the US dollar weakened against major currencies. This reaction was based on expectations of lower short-term interest rates, decreased inflation, and decelerating economic growth.

US inflation decelerated, with a notable drop in headline inflation. Goods inflation remained dormant, with most inflation driven by services, particularly shelter costs. Retail sales in the U.S. grew unexpectedly strong in November, indicating robust economic activity.

The European Central Bank (ECB) and the Bank of England (BOE) maintained interest rates, with no immediate signals of rate cuts. In contrast to the Fed's outlook, ECB President Lagarde expected inflation to rebound, necessitating continued tight monetary policy. However, investor expectations

indicated a possibility of rate cuts by the ECB starting in April 2024. The BOE remained firm on keeping monetary policy tight until inflation receded further, facing the challenge of a tight job market and rising wage pressures.

Commodity prices have been volatile since the start of the Israel/Hamas conflict. Oil prices fell over 10% in 2023 in a tumultuous year of trading marked by geopolitical turmoil and concerns about the oil output levels of major producers around the world. Gold prices remained resilient in 2023, supported by economic uncertainty and expectations of a Fed rate cut in 2024.

Australian dollar strengthened against most major currencies, driven by a weakening US dollar on the expectation of rate cuts and policy stimulus announced in China to bolster the economic activity.

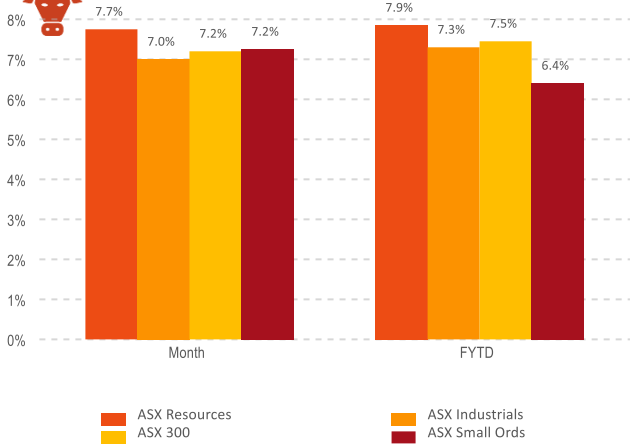
Emerging market equities performed robustly over 2023. China and Hong Kong stocks ended 2023 as the worst performers among the world's major indexes, dragged down by geopolitical risks, a sluggish economic recovery and policy uncertainties.

Listed property and infrastructure produced large positive return in December, along with broader equity markets. Over the course of 2023 Australian residential property values held broadly resilient under conditions of climbing interest rates and stretched affordability.

# December 2023



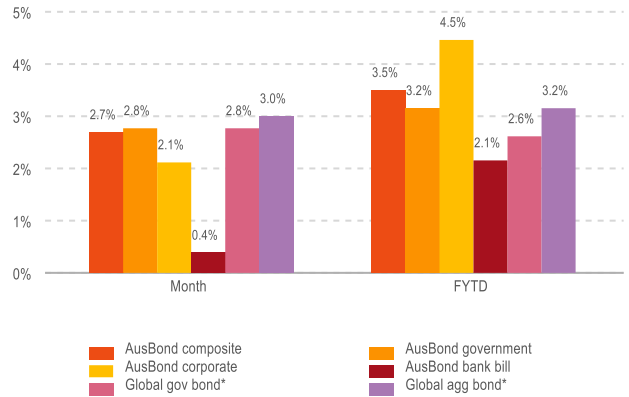
## Australian equities



Source: LSEG Datastream



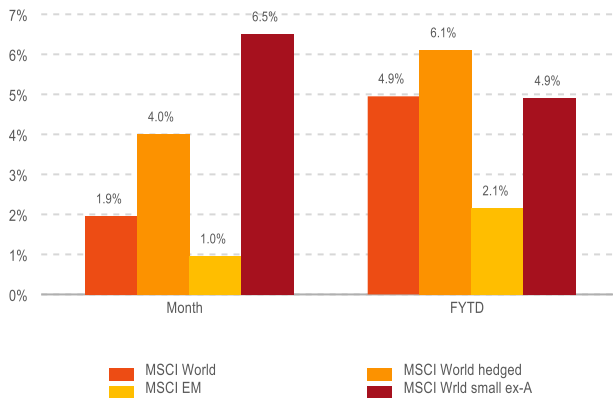
## Fixed income



Source: LSEG Datastream



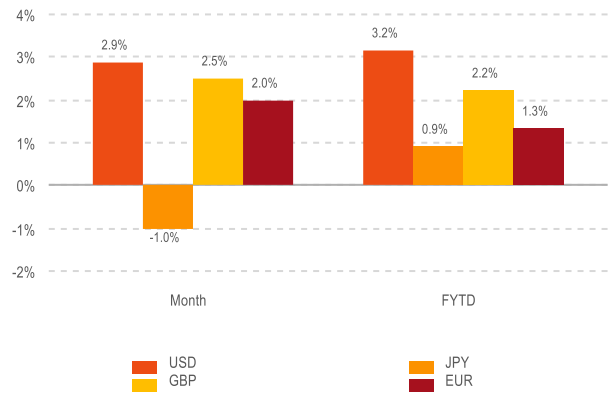
## International equities (\$)



Source: LSEG Datastream



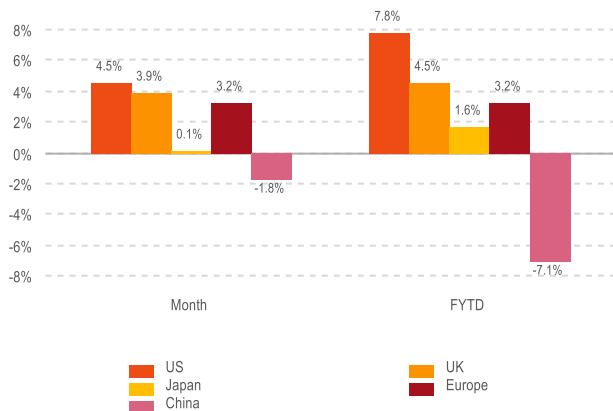
## Australian dollar



Source: LSEG Datastream



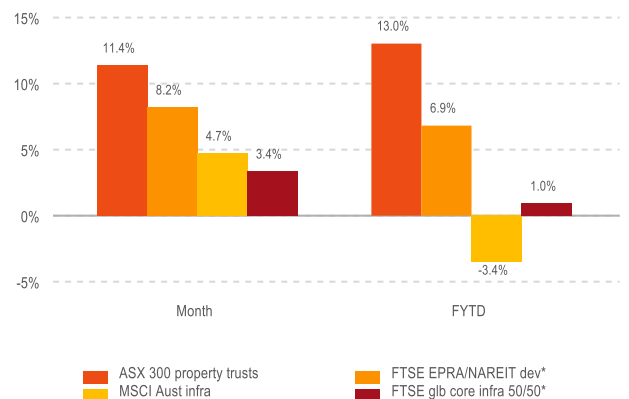
## International equities



Source: LSEG Datastream











## Real assets



Source: LSEG Datastream \*Hedged A\$

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

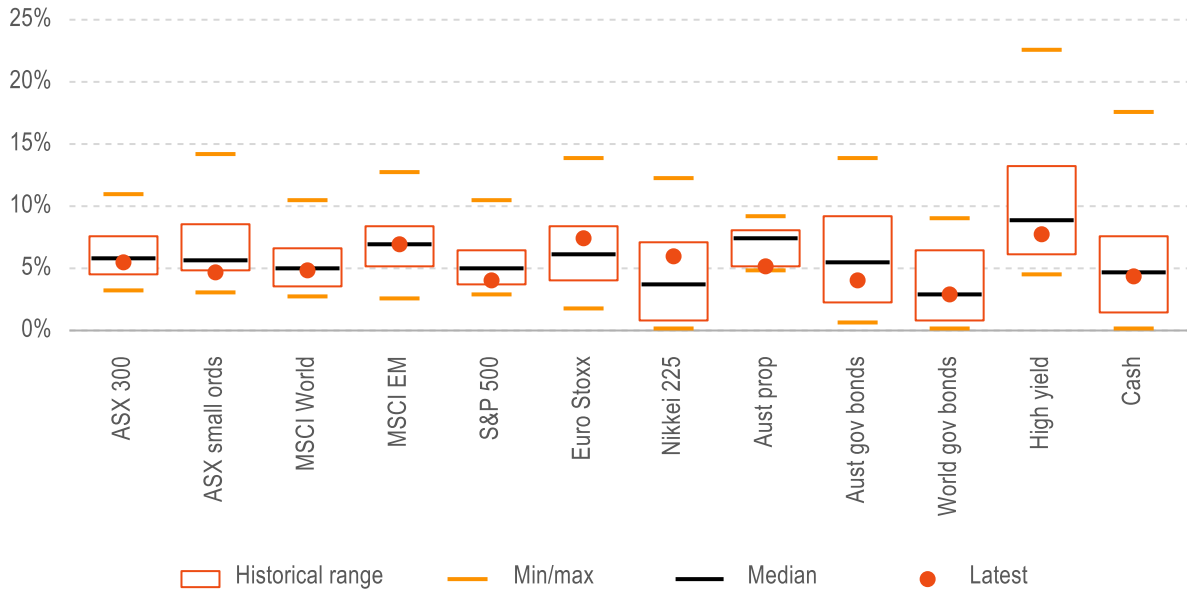
# December 2023

	Index Value	Month	3 Months	FY24	1 Year	5 Yr p.a.	
<b>Australian Equities</b>							
	S&P/ASX 300 Accum. Index	7,536	7.2%	8.4%	7.5%	12.1%	10.3%
	S&P/ASX 300 Accum. Industrials Index	11,150	7.0%	8.4%	7.3%	12.2%	8.7%
	S&P/ASX 300 Accum. Resources Index	6,318	7.7%	8.1%	7.9%	12.1%	15.5%
	ASX Small Caps Accum. Index	2,930	7.2%	8.5%	6.4%	7.8%	6.4%
<b>International Equities</b>							
	MSCI World Index (\$A)	5,202	1.9%	5.4%	4.9%	23.0%	13.5%
	MSCI World Index (Hedged \$A)	4,307	4.0%	9.2%	6.1%	21.5%	11.6%
	MSCI Emerging Markets Index (\$A)	1,083	1.0%	2.0%	2.1%	9.2%	4.3%
	MSCI World ex-Aus Small Cap Index (\$A)	622	6.5%	6.4%	4.9%	15.4%	10.5%
	US (S&P 500 Index in USD)*	4,770	4.4%	11.2%	7.2%	24.2%	13.7%
	US Tech (NASDAQ Index in USD)*	15,011	5.5%	13.6%	8.9%	43.4%	17.7%
	United Kingdom (FTSE 100 Index in GBP)*	7,733	3.7%	1.6%	2.7%	3.8%	2.8%
	Japan (Nikkei 225 Index in JPY)*	33,464	-0.1%	5.0%	0.8%	28.2%	10.8%
	Europe (Stoxx 50 Index in EUR)*	4,522	3.2%	8.3%	2.8%	19.2%	8.5%
	China (Shanghai Composite Index in CNY)*	2,975	-1.8%	-4.4%	-7.1%	-3.7%	3.6%
<b>AUD versus ...</b>							
	USD	0.68	2.9%	5.9%	3.2%	1.0%	-0.6%
	JPY	96.77	-1.0%	0.5%	0.9%	7.7%	4.4%
	GBP	0.54	2.5%	1.6%	2.2%	-4.6%	-0.7%
	EUR	0.62	2.0%	1.2%	1.3%	-2.8%	0.0%
<b>Real Assets</b>							
	ASX 300 Listed Property Trusts Accum. Index	1,506	11.4%	16.5%	13.0%	16.9%	6.4%
	FTSE EPRA / NAREIT Dev. Index (Hedged \$A)	1,507	8.2%	12.7%	6.9%	7.9%	1.9%
	MSCI Australia Infrastructure	1,202	4.7%	4.6%	-3.4%	1.0%	5.7%
	FTSE Global Core Infra 50/50 Index (Hedged \$A)	2,297	3.4%	8.8%	1.0%	0.1%	5.7%
<b>Oil and Commodities</b>							
	Crude Oil (US\$/bbl)	71.9	-4.9%	-20.8%	1.8%	-10.4%	9.8%
	Copper Spot (US\$/tonne)	8,464	0.9%	3.1%	1.7%	1.2%	7.3%
	Gold Spot (US\$/ounce)	2,065	1.4%	11.2%	7.8%	13.8%	10.0%
<b>Australian Fixed Interest</b>							
	Bloomberg AusBond Composite Index	9,857	2.7%	3.8%	3.5%	5.1%	0.6%
	Bloomberg AusBond Government Index	10,112	2.8%	4.0%	3.2%	4.3%	0.3%
	Bloomberg AusBond Corporate Index	10,881	2.1%	3.2%	4.5%	6.8%	2.0%
	Bloomberg AusBond Bank Bill Index	9,491	0.4%	1.1%	2.1%	3.9%	1.4%
<b>Global Fixed Interest</b>							
	Bloomberg Global Gov. Bond Index (Hedge \$A)	348	2.8%	4.9%	2.6%	5.0%	0.2%
	Bloomberg Global Agg. Bond Index (Hedge \$A)	1,012	3.0%	5.4%	3.2%	5.3%	0.5%
<b>Fixed Income (yields) as at ...</b>							
		<b>Dec 2023</b>	<b>Nov 2023</b>	<b>Sep 2023</b>	<b>Jun 2023</b>	<b>Dec 2022</b>	<b>Dec 2018</b>
	Australia Bank Bill	4.31	4.29	4.05	4.14	3.01	2.04
	Australia 10-Year Government Bond	3.96	4.39	4.49	4.00	4.04	2.32
	US 10-Year Government Bond	3.87	4.34	4.57	3.81	3.83	2.69
	UK 10-Year Government Bond	3.54	4.18	4.44	4.39	3.67	1.27
	Germany 10-Year Government Bond	2.03	2.45	2.84	2.39	2.56	0.25
	Japan 10-Year Government Bond	0.63	0.67	0.76	0.40	0.42	0.00

\*Price Index

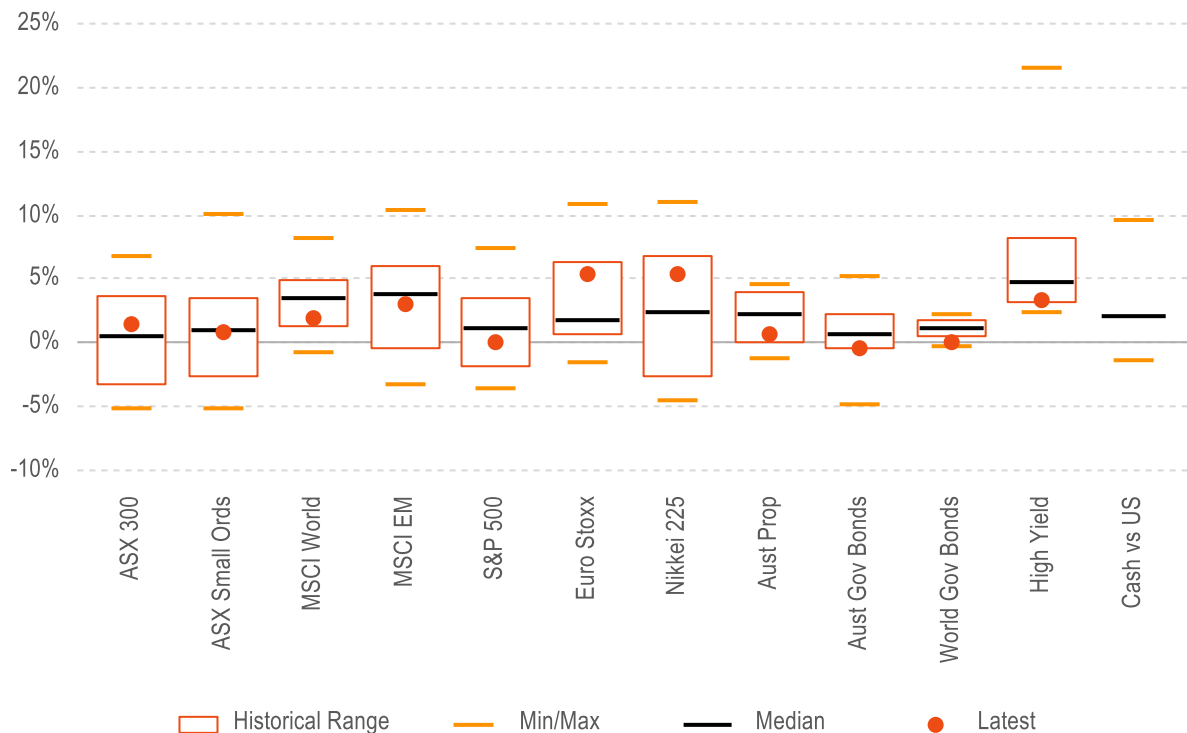
# Asset class yields relative to history

Yields (equities earnings) at Dec 2023



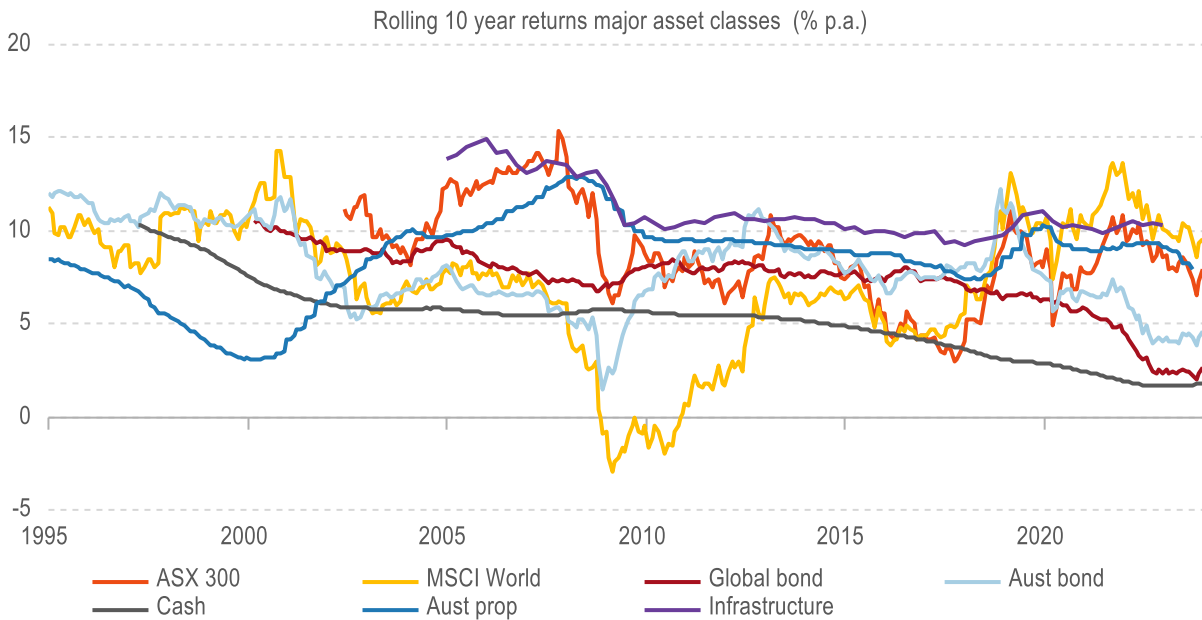
Source: LSEG Datastream

Relative yields (vs bond or cash yield) at Dec 2023

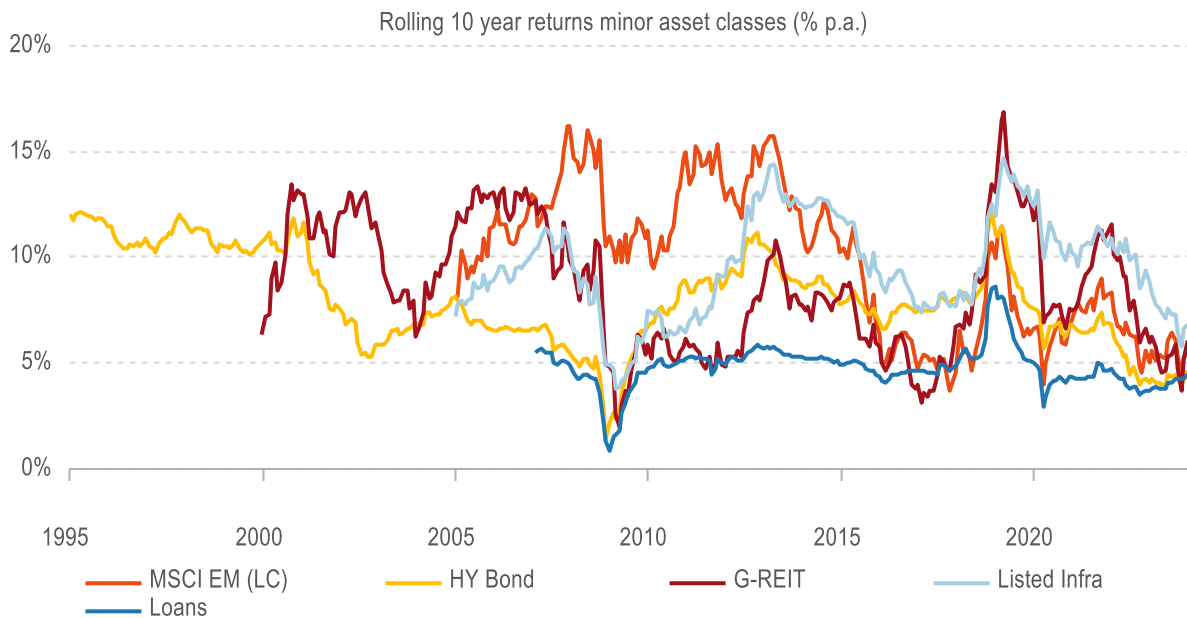


Source: LSEG Datastream

# Asset class long-term returns

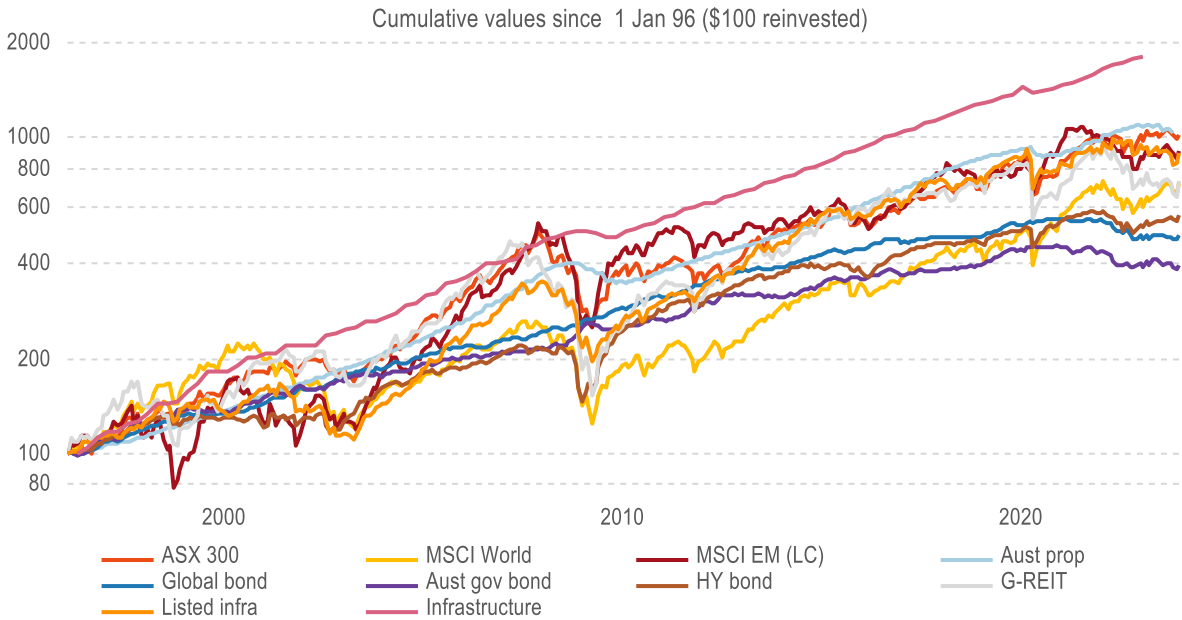


Source: LSEG Datastream

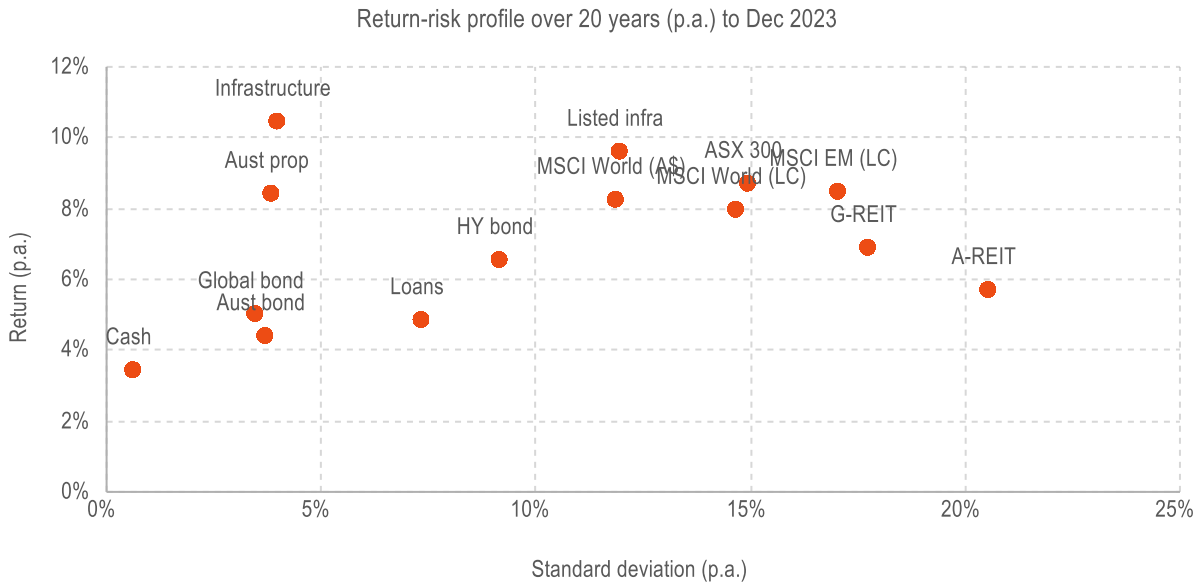


Source: LSEG Datastream

# Asset class long-term returns



Source: LSEG Datastream



Source: LSEG Datastream



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