

Monthly Market Snapshot

September 2023

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

Market commentary

In September, global financial markets experienced a significant shift, characterised by a slowdown in the fall of inflation and expectation of persistence of higher cash rates. While the suggestion is still that cash rates have likely peaked in key regions, the narrative has changed to "higher for longer".

Markets responded to concerns that central banks might maintain elevated interest rates for an extended period, and policy rates may not come down until the second half of 2024. The result was a notable repricing in bond markets, with yields reaching cycle highs, and a widespread sell-off across equity markets.

US economic growth remains resilient but global growth remains below trend, with challenges in both manufacturing and services sectors. However, despite the mixed economic data, most major equity markets remained positive year-to-date.

US equities experienced a drop in September, driven by poor returns from the Technology sector. While a soft landing in the US economy seems to be the market consensus, it is not without its risks, and a soft landing for the economy may not guarantee a safe landing for markets.

European equities experienced a more moderate decline over the month, while the UK was a surprising exception, rising over the month aided by a falling currency. The Chinese stock market was weighed down by ongoing concerns about the property sector and the broader economic outlook. This contributed to a negative return for the month from emerging market equities.

While Australian equities faced challenges, they posted a small negative return, outperforming global markets in aggregate, Resources provided a glimmer of positivity, with commodity prices rising.

Oil prices were driven by ongoing supply restrictions and improved demand expectations. However, higher oil prices pose an additional burden on consumers and raise concerns about near-term inflation.

Major central banks held policy meetings over the month. Inflation rates fell but remained too high for central banks to relax, maintaining a hawkish

rhetoric, particularly from the US Federal Reserve.

Bond markets produced negative returns. The stance of central banks raised concerns about higher interest rates for longer, which was reflected in a material increase in government bond yields. The US fiscal position added to the challenges faced by bond markets, with concerns about the growing debt pile and widening deficit leading to expectations of increased Treasury issuance.

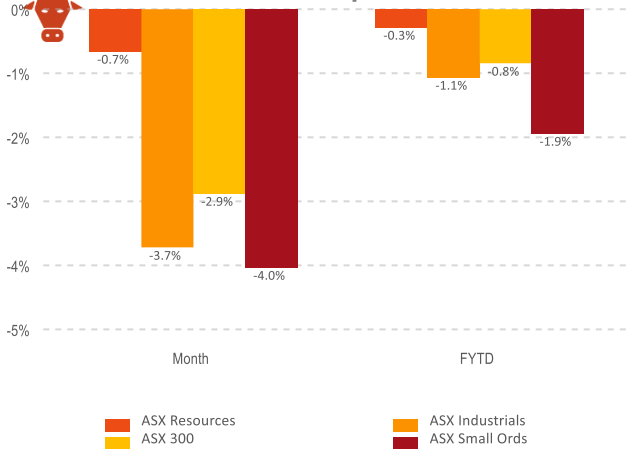
The USD strengthened in September. The Australian dollar depreciated moderately against the US dollar but showed strength against other major currencies. In aggregate currency hedging was a small positive contributor to returns.

Listed property and infrastructure produced negative returns in September as yields rose and sentiment deteriorated. Australian residential property prices continued to stabilise, after previous falls.

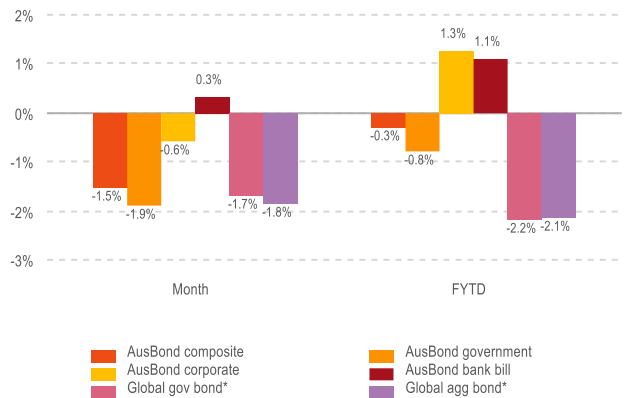
September 2023



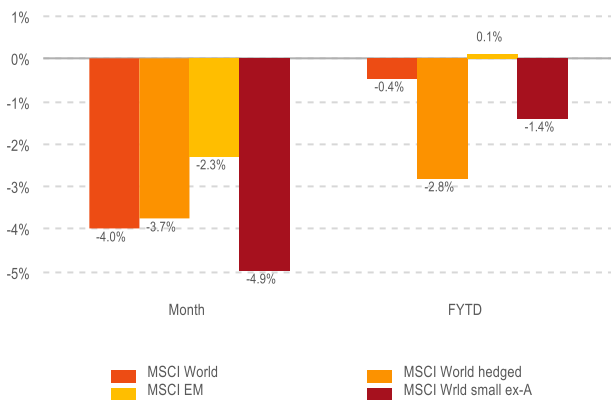
Australian equities



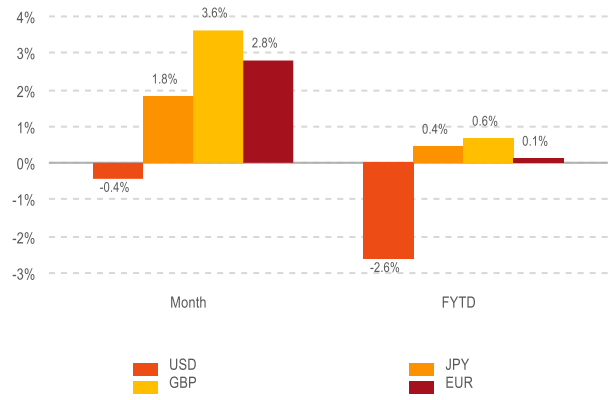
Fixed income



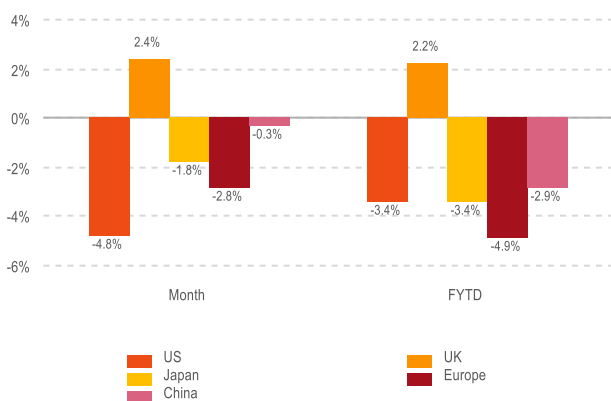
International equities (\$A)



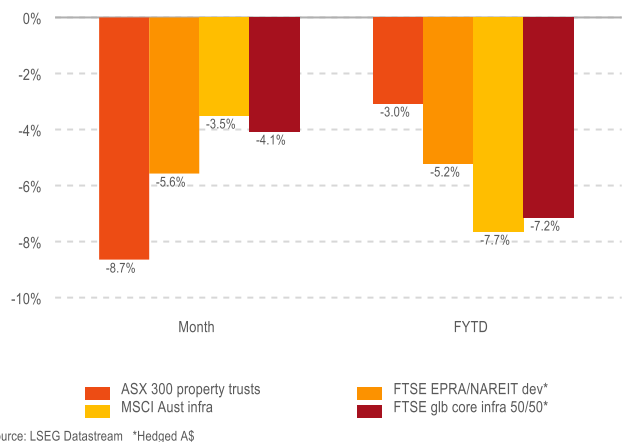
Australian dollar



International equities



Real assets



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



Frontier Level 17, 130 Lonsdale Street
Melbourne, Victoria 3000
Tel: +61 3 8648 4300

www.frontieradvisors.com.au
[@frontier_adv](https://twitter.com/frontier_adv)

Frontier does not warrant the accuracy of any information or projections in this paper and does not undertake to publish any new information that may become available. While this information is believed to be reliable, no responsibility for errors or omissions is accepted by Frontier or any director or employee of the company. The advice in this paper does not take into account investors' particular objectives, financial situation or needs. Investors should consider the appropriateness of the contents of this paper in light of these matters and seek individual advice prior to taking action on any of the issues raised in this paper or making any investment decisions. Investors should obtain and read the applicable Product Disclosure or Information Statement before making a decision on acquiring any financial products. Frontier Advisors Pty Ltd does not provide taxation advice and investors should seek their own independent taxation advice from a registered tax agent.

ACN 074 287 406 AFS Licence No. 241266

© Frontier Advisors