

# Monthly Market Snapshot

September 2024

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

# Market commentary

In September 2024, global markets generally responded positively to central bank rate cuts and stimulus measures, particularly from the U.S. Federal Reserve and China.

Central banks have started to cut rates as inflation becomes better controlled. The US Federal Reserve cut its policy rate in September and futures pricing is indicative of further additional rate cuts in 2024 and 2025.

US equities rose over the month, with sectors that had been affected by higher interest rates showing stronger performance. Small caps performed particularly well in anticipation of lower interest rates ahead. The US economy continues to appear to be resilient, led by a strong pickup in household consumption. Employment conditions continue to be supportive but the labour market is gradually weakening, indicated by a rise in the unemployment rate.

European equities posted more muted returns amid sluggish economic recovery, particularly in Germany, while the UK showed resilience despite a dip in consumer confidence.

Australian equities produced moderate positive return, with Resources sector benefited strongly from China stimulus. The RBA has retained a neutral, relatively hawkish tone, against the backdrop of a more uncertain short-term inflation outlook, and current market pricing indicates rate cuts are not expected until 2025.

Japanese equities struggled due to the Bank of Japan's interest rate changes and weaker U.S. labor market data. The Bank of Japan is raising its short-term policy rate and intends to proceed with further normalisation, although in a cautious manner following the sharp unwinding of the Yen carry trade in August.

Emerging market equities produced large positive returns, driven by late-month stimulus measures from China, indicating Beijing's commitment to supporting its economy. Chinese growth weakened despite easing monetary policies and deflationary pressures are raising concerns about the Chinese economy possibly sliding into a "balance sheet recession," similar to what Japan experienced in

previous decades.

The outlook for lower interest rates also supported bonds, particularly government bonds. U.S. Treasuries and European sovereigns performed well, while UK lagged due to persistent wage growth and a tight labor market.

Commodities experienced significant volatility driven by geopolitical developments in the Middle East. Oil prices have generally declined since early July despite the ongoing Middle-East conflict, supporting lower inflation. Gold reached new highs, suggesting mixed investor sentiment around global economic health. Copper ended September with large positive returns.

The Australian dollar appreciated against most major currencies over the month, supported by the rate cut in the US and positive sentiment from the Chinese policy stimulus measures.

Listed property and infrastructure sectors experienced positive returns, benefiting from the decrease in interest rate and bond yields.

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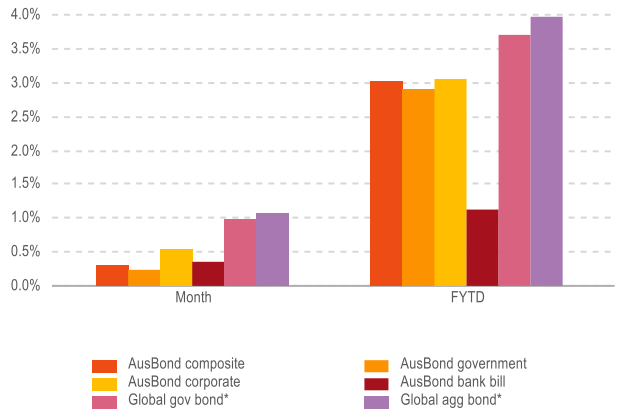
## Australian equities



Source: LSEG Datastream



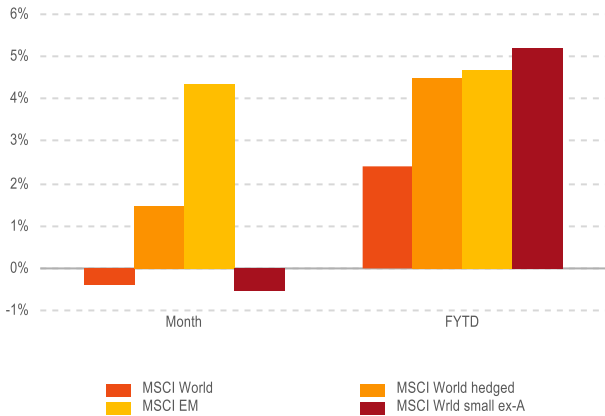
## Fixed income



Source: LSEG Datastream



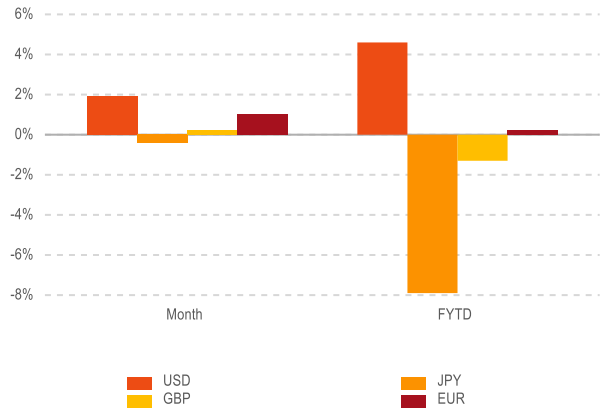
## International equities (\$A)



Source: LSEG Datastream



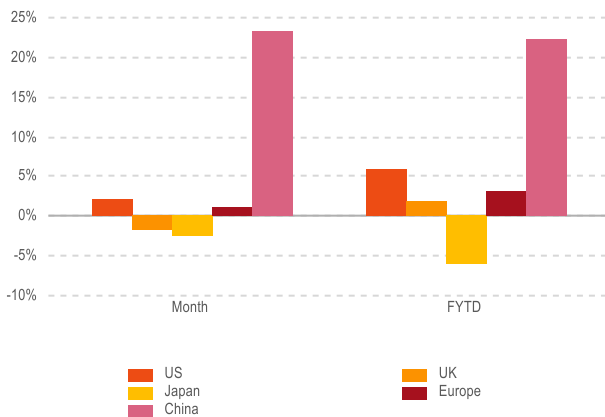
## Australian dollar



Source: LSEG Datastream



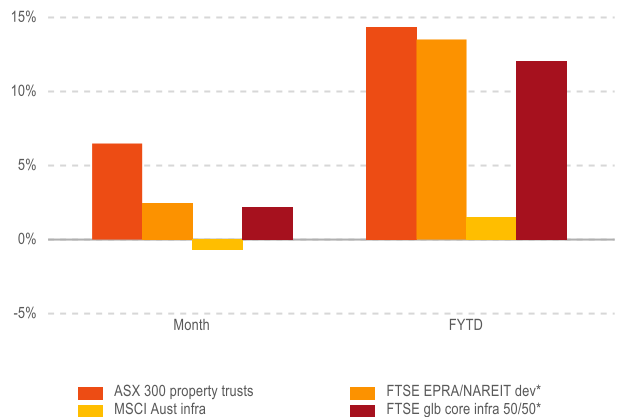
## International equities



Source: LSEG Datastream



## Real assets



Source: LSEG Datastream \*Hedged A\$



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