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## Market developments during July 2024 included:

### Australian Equities

The ASX 200 Accumulation Index finished July month up 4.2%, marking its strongest monthly performance this year and reaching a new all-time high in the process. Despite expectations for earnings contractions, the strong level of market sentiment and a wave of momentum pushed shares higher.

The market saw positive returns across a wide range of sectors, with eight out of eleven finishing higher. Consumer discretionary led the way with a gain of 9.1%, followed by Property (+6.6%), Financials (+6.3%), Industrials (+5.6%), and Communication Services (+5.3%). Conversely, the Utilities (-2.9%), Energy (-0.4%), and Materials (-0.1%) sectors weighed on the Index, ending the month with negative returns.

Despite June quarter inflation data remaining sticky, investors were encouraged by the slowing core inflation number. Positive data in a UBS survey on consumer spending, coupled with undemanding valuations and overall underperformance in the sector, helped drive Consumer Discretionary companies. Meanwhile, the 'Big Four' Banks again pushed the Financials sector up.

Weakening metals and brent crude oil prices led to Materials and Energy shares falling, which included losses of 11.9% from Fortescue (ASX: FMG), one of the largest iron ore miners in the Index

### Global Equities

Bother Emerging and Developed markets continued to rally in July. Developed markets outperformed emerging markets returning 4.08% (MSCI World Ex-Australia Index (AUD)) versus a 2.58% return (MSCI Emerging Markets Index (AUD)).

Smal Cap growth came back into focus in July over optimism US Rate cuts could drive growth for smaller companies. The Russell 2000 Index gained 10.2% and the Russell MicroCap Index gained 11.9%, outperforming the S&P500 which rose 1.2% (in local currency terms). Meanwhile the Nasdaq-100 fell -1.6% (in local currency terms) with Tech and Communications sectors dragging the Index down.

Japanese markets fell in the second half of July after hitting all-time highs as speculation around the Bank of Japan's monetary policy meeting cautioned the market and strengthened the Yen. The Nikkei 225 Index fell 1.21% in July (in local currency terms).

Chinese equities were mixed in July as continued troubles in the real-estate sector dragged the market down, while Chinese authorities have cut the reverse repo rate and benchmark loan prime rate in a bid to stimulate the economy. The Hang Seng Index fell 1.02% and CSI 300 Index gained 0.60% (in local currency terms).

### Fixed Income

July markets experienced notable shifts with investors navigating a landscape of cautious optimism amid ongoing economic uncertainties.

Much awaited June 2024 quarter ABS CPI data recorded an annual inflation figure of 3.8%, resulting in expectations of a rate pause in the August RBA Board meeting. The sectors with the highest percent changes include alcohol and tobacco (6.8%), insurance and financial services (6.4%), and education (5.6%). The Australian Bond market rallied in July with Australian 2-Year and 10-Year bond yields dropping 28 basis points and 19 basis points, respectively. The Australian bond market, as measured by the Bloomberg AusBond Composite 0+ Yr Index, returned 1.48% over the course of July.

Globally, markets saw significant gains, with the Bloomberg Barclays Global Aggregate Index (AUD) returning 5.10% over the month against the backdrop of several economic and political developments. The Federal Reserve signalled a pause in interest rate hikes, announcing at its July Federal Open Market Committee that the target cash rate will remain unchanged at 5.25%-5.5%. A combination of a weakening US labour market and CPI figures that were weaker than expected led to increased convictions of rate cuts from the Fed in 2024 and 2025. This boosted US Treasuries with US 2- and 10-Year bond yields dropping 50 and 37 basis points over the month.

### REITs (listed property securities)

The S&P/ASX 200 A-REIT Accumulation index TR performed strongly in July, with the index finishing the month 6.83% higher and up 17.70% YTD. Global real estate equities continued the strong trend (represented by the FTSE EPRA/NAREIT Developed Ex Australia Index (AUD Hedged)) advancing 5.54% for the month. Australian infrastructure began to moderate during July, with the S&P/ASX Infrastructure Index TR returning 0.34% for the month and up 5.63% YTD.

July saw muted activity on the M&A front across the A-REIT sector. Region Group (RGN) has reached an agreement with GIC to establish Metro Fund 2, with RGN holding a 20% equity interest and acting as the manager of the Fund. The ACCC has raised preliminary concerns relating to Stockland's (SGP) acquisition of 12 Lendlease residential Masterplan community projects. The concern revolves around the competitive supply of housing lots in four regions. Centuria Capital Group (CNI) has entered into an agreement to acquire a 50% interest in a new-generation data service provider, Reset Data Ptd Ltd for $21m. Centuria Bass, the real estate finance division of Centuria Capital Group (CNI) has secured a new $150m warehouse facility, with a $100m initial senior secured commitment from UBS.

The Australian residential property market experienced an increase of +0.5% Month on Month (as represented by CoreLogic's five capital city aggregate). Perth was the biggest riser (+2%), followed by Adelaide (+1.6%) and Brisbane (+0.9%). In contrast, Melbourne continued to experience a fall in value (-0.5%) alongside Darwin (-0.1%) while Hobart (-0.8%) was the worst performer.

## Alternatives

Preliminary estimates for July indicate that the RBA Index of Commodity Prices decreased by 0.1 per cent (on a monthly average basis) in SDR terms, after decreasing by 2.1 per cent in June (revised). The rural subindex increased in the month, while non-rural and base metals subindices decreased. In Australian dollar terms, the index decreased by 0.2 per cent in July.

Over the past year, the index has decreased by 3.0 per cent in SDR terms, led by lower iron ore and lithium prices. The index has decreased by 3.6 per cent in Australian dollar terms.

## Currencies

The Australian dollar (AUD) depreciated in July, closing 3% lower in trade-weighted terms to 61.4, depreciating against all four referenced currencies in this update.

The AUD saw its first monthly decline against the USD since April, despite earlier gains from solid Australian economic data and USD weakness. Market sentiment worsened in late July, leading to a sell-off, particularly after Australian CPI aligned with RBA forecasts, diminishing near-term rate hike prospects. The Japanese Yen (JPY) was the strongest in July, rebounding swiftly from its lowest level against the AUD since 1990, reached earlier in the month.

Relative to the AUD, the JPY led in August, appreciating by 8.4%. Conversely, the USD was the laggard of the month, albeit appreciating in relative terms by 2.1% against the AUD. Year-on-year, the AUD remains behind the Pound Sterling (GBP), Euro (EUR), and USD by -2.7%, -1.1%, and -2.9%, respectively, while ahead of the JPY by 0.2%.