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Market developments during June 2024 included:

Australian Equities

June saw the ASX 200 Accumulation Index rise by 1.0%. Following May's mixed results, June was another month of a wide range of returns at the sector level. Financials ex-Property recorded the strongest returns (+5.1%), followed by Consumer Staples (+4.6%), Utilities (+4.6%) and Health Care (+4.4%). Laggards for the month were Materials (-6.5%), Energy (-1.6%) and Industrials (-0.2%).

Three of the 'Big Four' banks led the way for Financials, as NAB, CBA and Westpac all posting gains. Macquarie Group shares also drove positive returns for the sector.

The decline in Materials stocks could be attributed to several factors. The Chinese economy continues to show signs of uncertainty as a disinflationary spiral lingers. The softening of commodity prices, especially iron ore, also weighed into the sell-off. Shares in Mineral Resources (ASX: MIN), one of the largest iron ore miners in the Index, fell approximately 25% over the month after the announcement that it was closing its Yilgarn Hub operation.

As the 2023/24 Australian Financial Year wrapped up, the ASX 200 posted total returns of 12.1%. After a strong finish to the year, Financials ex-Property was the leading sector gaining 29.2%. Three other sectors posted returns greater than 20%: Information Technology (+28.4%), Property (+24.7%) and Consumer Discretionary (+22.7%).

Global Equities

Both Emerging and Developed markets rallied in June, to a positive finish for the first half of 2024. Emerging markets outperformed developed markets in June returning 3.51% (MSCI Emerging Markets Index (AUD)) versus a 2.34% return (MSCI World Ex-Australia Index (AUD)).

Large Cap stocks drove growth in June, with the Nasdaq Composite gaining 18.6% for 1H 2024 and 6% for June (in local currency terms). While the S&P500 rose 15.3% and 3.6% (in local currency terms) over the same periods. Softening economic data and the lowering of projected rate cuts by the Federal Reserve by year end a driving force behind the bullish movements. The US Tech sector continues to charge with a 9.3% increase in June (in local currency terms).

European Equity markets were mostly lower, with the DAX 30 Index (EUR) dropping 2.37% while the FTSE EuroTop 100 Index (EUR) lost 0.25% in June as Central Banks began cutting rates and the French Election created market uncertainty.

Taiwanese markets were the best performing in the Asia-Pacific region for the first half of 2024 with the Taiex gaining 28.45% (in local currency terms). Largely boosted by Taiwan Semiconductors (TPE:2330) which gained 63% over the same period, as excitement around AI continues to drive sentiment. Japan also continued to gain with the Nikkei 225 Index up 2.01% in June (in local currency terms) after hitting all-time highs earlier in the year.

Fixed Income

Following a surge in bond markets during the first half of June, a quick sell-off in the latter half of the month swiftly reversed any gains. Month-end to month-end, Australian 2-Year Bond yields rose 4 basis points whilst Australian 10-Year Bond yields fell 10 basis points. The Australian bond market, measured by the Bloomberg AusBond Composite 0+ Yr Index, rose 0.77% over the course of June. At its June meeting, the RBA board voted to leave the cash rate target unchanged at 4.35%, with the market pricing in a low in the cash rate in 2026. Inflation remains sticky with the Australian Bureau of Statistics releasing higher than expected inflation figures – 4% for the year to May. Electricity and food prices were amongst the sectors with the highest price increases.

The global backdrop in June was a large driver of Australian bond market performances. The European Central Bank was one of the first to lower interest rates - lowering by 25 basis points, French elections were called, and U.S presidential campaigns were well underway, including the presidential campaign debate this month. Additionally, geopolitical uncertainties remain elevated – such as the heightened conflicts and tensions in the Middle East and Ukraine – and continue to have the potential to affect supply chains. Against this backdrop, U.S. 2-Year and 10-Year Treasury Note yields fell 11 and 10 basis points respectively.

REITs (listed property securities)

The S&P/ASX 200 A-REIT Accumulation index progressed in June, finishing the month 0.39% higher. Global real estate equities (represented by the FTSE EPRA/NAREIT Developed Ex Australia Index (AUD Hedged)) also advanced, up 0.83% for the month. Australian infrastructure continued to perform strongly during June, with the S&P/ASX Infrastructure Index TR returning 2.35% for the month and up 5.27% YTD.

June saw some activity on the M&A front across the A-REIT sector. Dexus (ASX: DXS) sold three assets for a combined total of $383.2m. Dexus has indicated that these proceeds will be used to repay debt. National Storage REIT (ASX: NSR) is seeking a trading halt pending announcement on a proposed joint venture for further development. The JV will buy and develop an initial portfolio of 10 assets. BWP Trust (ASX: BWP) has completed the compulsory acquisition of NPR following last month's announcement.

The Australian residential property market experienced an increase of +0.7% Month on Month (as represented by CoreLogic's five capital city aggregate). Perth was the biggest riser (+2%), followed by Adelaide (+1.7%) and Brisbane (+1.2%). In contrast, Melbourne experienced a fall in value (-0.2%) and was the worst performer and only negative city during June.

Alternatives

Preliminary estimates for June indicate that the index decreased by 2.2 per cent (on a monthly average basis) in SDR terms, after increasing by 1.0 per cent in May (revised). The non-rural, rural and base metals subindices all decreased in the month. In Australian dollar terms, the index decreased by 2.8 per cent in June.

Over the past year, the index has decreased by 4.1 per cent in SDR terms, led by lower iron ore, thermal coal, and lithium prices. The index has decreased by 4.2 per cent in Australian dollar terms.

Currencies

The Australian dollar (AUD) appreciated over the month of June, closing 0.3% higher in trade weighted terms to 63.3, appreciating against all four referenced currencies in this update.

The AUD/USD exchange rate experienced its least volatile month since December 2002. This marks its third monthly increase in the past four months and its highest monthly close since December of the previous year. The strength of the US Dollar (USD) offset the impact of a hawkish RBA statement and higher-than-expected Australian inflation on the AUD/USD. The Japanese Yen (JPY) was the most notable mover, dropping to its lowest level against the Aussie dollar since 2007 and its lowest level against the USD since the mid-1980s.

Relative to the AUD, the USD depreciated the least during the month, closing 0.2% lower. The laggard of the month was the JPY, depreciating in relative terms against the AUD by 2.7%. Year-on-year, the AUD is ahead of the USD, Pound Sterling (GBP), Euro (EUR) and JPY by 0.8%, 0.8%, 2.7% and 12.5%, respectively.