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Market developments during September 2024 included:

Australian Equities

The ASX 200 closed September at a new record high, reaching 8269 points. The Index finished up 3.0%, buoyed by the US Federal Reserve's first interest rate cut and the Chinese government's stimulus package.

Sector returns were relatively concentrated. Materials led with a gain of 13.1%, followed by Information Technology (7.4%) and Property (6.6%). Health Care (-3.2%) and Consumer Staples (-1.7%) were the worst-performing sectors, with Communications (-0.9%) also in the red.

China's announcement of a substantial stimulus package boosted Australian mining stocks. The notable rebound in commodity prices was a welcome positive for struggling names such as Rio Tinto, BHP, and Fortescue, all of which posted double-digit monthly returns.

Health Care was dragged down by CSL, the largest company in the sector, whose share price ended the month lower after issuing softer guidance for the 2025 financial year. Meanwhile, in Consumer Staples, Woolworths and Coles shares dipped on news that the ACCC is taking the companies to court over allegedly misleading consumers on pricing discounts.

Overall, September was a positive month for the Index, driven by encouraging news from the US and China.

Global Equities

Emerging Markets outperformed developed markets in September with Developed markets losing -0.47% (MSCI World Ex-Australia Index (AUD)) versus a 4.33% return (MSCI Emerging Markets Index (AUD)) as appetite for Chinese companies continues to rebound.

US markets continued to hit new all-time highs in September with the Federal Reserve cutting rates by 50 basis points, the first cut in four years, as economic data remained upbeat. The S&P 500 had the best performing September in eleven years with a gain of 2.02% (in local currency terms) as companies recorded strong earnings growth of 11.3%, the best performing quarter since Q4 2021. US-mega-cap stocks boosted markets, with the Nasdaq 100 Index gaining 2.5% (in local currency terms) recovering from a lacklustre July and August.

Chinese equities were among the best performing markets in September with the CSI 300 Index gaining a massive 21.11% (in local currency terms) as authorities announced new stimulus measures to help boost the economy, specifically the property sector and equities markets. The Chinese central bank cut key interest rates and continued to pledge further support and inject liquidity into the financial system. The news of new stimulus measures pushed the Hang Seng Index up 18.32% (in local currency terms).

Fixed Income

In September, the Australian bond market remained stable, while globally, falling yields resulting from investor reactions to central banks cutting interest rates led to positive returns for the month.

The monthly Consumer Price Index (CPI) data revealed no surprises, with the headline inflation rate declining from 3.5% to 2.7% year on year, marking its lowest level in three years. However, at the recent Reserve Bank of Australia (RBA) meeting, the cash rate was held steady at 4.35%, with a clear message that the RBA wants to see more positive movement in core inflation before considering any interest rate cuts. Amidst this backdrop, the Australian bond market remained stable, with the yield on the 10-year Australian bond unchanged, while the 2-year bond yield decreased by only 3 basis points.

In the U.S., the Federal Reserve implemented a 50-basis point rate cut this month in response to concerning signals in the labour market and a persistent decline in inflation. This initiation of a rate cutting cycle resulted in lower yields and reversed the initial inversion of the U.S. yield curve. The shorter end of the curve fell at a faster rate than the long end, indicating an optimistic outlook for long-term economic growth. However, despite the Fed's dovish stance on monetary policy, uncertainty remains regarding the pace of future rate cuts, as a quicker reduction in rates could potentially reignite inflation. As a result, U.S. 2-year and 10-year Treasury bond yields decreased by 28 basis points and 12 basis points, respectively, contributing to a further steepening of the yield curve.

REITs (listed property securities)

The S&P/ASX 200 A-REIT Accumulation Index TR moderated in August, with the index finishing the month 0.54% higher and up 18.34% YTD. Global real estate equities continued the strong trend (represented by the FTSE EPRA/NAREIT Developed Ex Australia Index (AUD Hedged)) advancing 5.39% for the month. Australian infrastructure reversed the moderating trend seen in July, with the S&P/ASX Infrastructure Index TR returning 1.72% for the month and up 7.44% YTD.

August saw muted activity on the M&A front across the A-REIT sector with reporting period dominating news and announcements. Stockland (SGP) announced that it has been named as the preferred proponent, alongside its consortium partners, to deliver the Waterloo Renewal Project with Homes NSW. This project is one of Australia's largest inner city renewal initiatives, delivering over 3000 apartments including 50% as social and affordable housing. Scentre Group (SCG) has priced a A$900m subordinated note issue in the Australian domestic market. Centuria Capital Group (CNI) acquired a 50% interest in a new-generation data service provider, Reset Data Ptd Ltd for $21m.

The Australian residential property market experienced an increase of +0.6% Month on Month (as represented by CoreLogic's five capital city aggregate). Perth continued its strong run and was the biggest riser (+2.0%, 24.4% YoY), followed by Adelaide (+1.4%) and Brisbane (+1.1%). In contrast, Melbourne continued to experience a fall in value (-0.2%) alongside Darwin (-0.2%) and Hobart (-0.1%) while Canberra (-0.4%) was the worst performer.

Alternatives

Preliminary estimates for September indicate that the index decreased by 1.7 per cent (on a monthly average basis) in SDR terms, after decreasing by 3 per cent in August (revised). The non-rural subindex decreased in the month, while the rural and base metals subindices both increased. In Australian dollar terms, the index decreased by 2.6 per cent in September.

Over the past year, the index has decreased by 10.1 per cent in SDR terms, led by lower iron ore and coking coal prices. The index has decreased by 12.8 per cent in Australian dollar terms.

Currencies

The Australian dollar (AUD) appreciated over the month of September, closing 0.3% higher in trade weighted terms to 62.8, appreciating against the US Dollar (USD), Pound Sterling (GBP), Euro (EUR) and the Japanese Yen (JPY).

The Australian dollar strengthened against the USD in September, supported by maintained higher interest rates. The major difference in outlook being around interest rate expectations, with the RBA continuing to hold rates whilst the US experienced a rate cut in September. Against other currencies, the AUD performed moderately, experiencing an appreciation against the Japanese Yen as Japan have a newly elected Prime Minister.

Relative to the AUD, the JPY depreciated the most in September, depreciating by 0.4%. Conversely, the USD was the laggard of the month, depreciating in relative terms by 2.6% against the AUD. Year-on-year, the AUD remains ahead of the USD, EUR and JPY by 7.8%, 2.3% and 3.4% respectively, whilst the GBP is ahead by 1.8% in relative terms.