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Market developments during November2024 included:

Australian Equities

After losing ground in October, the ASX 200 rebounded strongly in November, posting its best returns since July. The ASX 200 Accumulation Index rose by 3.8% for the month. This performance was largely driven by the clarity provided to Australian investors following the US election.

Out of the 11 sectors, nine recorded gains. Information Technology led the way with a 10.5% increase, followed by Utilities (+9.1%), Financials ex-Property (+7.0%), and Consumer Discretionary (+6.9%). However, Energy (-0.7%) and Materials (-2.6%) lagged.

Information Technology continued its impressive momentum, returning 68.3% over the past 12 months. Standout stocks for the month included TechnologyOne (ASX: TNE), Xero (ASX: XRO), and Life360 (ASX: 360).

In contrast, investors were cautious in the Energy and Materials sectors due to concerns over additional US tariffs impacting the already stuttering Chinese economy. Major players like Rio Tinto (ASX: RIO), BHP (ASX: BHP), and Fortescue (ASX: FMG) saw declines. Gold miners also struggled as investors rushed to the US Dollar following the Trump election, which pushed down the price of gold.

As the calendar year draws to a close, the ASX 200's had a strong performance in November, with gains seen broadly across most sectors.

Global Equities

Developed Markets outperformed Emerging markets in November largely driven by a rally in US Markets, post-election results. Developed markets gained 5.18% (MSCI World Ex-Australia Index (AUD)) versus a -3.07% return (MSCI Emerging Markets Index (AUD)).

US markets rallied post-election results with the S&P500 closing at an all-time high, gaining 8.8% for the month (in local currency terms). The FOMC's decision to cut interest rates by another 25 basis points also contributed to a broad market rally with the Nasdaq Composite gaining 6.3% (in local currency terms) while the Russell 2000 gained 11.0%, the best month since December 2023.

Asian markets suffered most visibly in November as Trump threatened to impose Tariffs when in office. The Chinese Hang Seng Index fell -4.23%, while the CSI 300 Index, rose a modest 0.75% (in local currency terms), assisted by further Chinese pledges from authorities to support the economy. while in Japan the Nikkei 225 Index fell -2.22% (in local currency terms).

Fixed Income

The bond market displayed mixed signals throughout November. Early in the month, investors anticipated volatility and potential inflationary pressures following a Trump victory in the US elections. However, as uncertainty subsided, yields began to fall, and the month concluded on a more favourable outlook.

While the overall Consumer Price Index (CPI) showed signs of easing, the Reserve Bank of Australia's (RBA) preferred measure, core inflation, rose month-on-month indicating a sticky inflationary environment. This suggests that the RBA is unlikely to cut rates until the new year. In addition, the labour market showed signs of cooling, with wage growth decelerating and consumer confidence stabilising however, broader economic uncertainty remains. Amidst this backdrop, the 2-year and 10-year yields Australian government bond yields dropped 8 and 16 basis points respectively.

In the US, the Federal Reserve implemented a 25-basis point rate cut, in line with a softening job market and bringing inflation closer to the 2% goal. As the month unfolded, the bond market started to correct its initial overreaction to the potential inflationary policies under the newly elected administration, with yields on the 2-year and 10-year US government bonds falling by 3 and 12 basis points, respectively.

REITs (listed property securities)

The S&P/ASX 200 A-REIT Accumulation Index TR reversed the negative result in October, finishing the month up 2.48% in November. The Index is up 26.0% YTD. Similarly, global real estate equities also reverted, increasing by 2.7% (represented by the FTSE EPRA/NAREIT Developed Ex Australia Index (AUD Hedged)). Australian infrastructure saw the largest reversal of the three indexes, bouncing back with a return of 4.98% after a falling 4.75% in October. The index has delivered a return of 9.65% YTD.

November saw muted activity in Australia on the M&A front across the A-REIT sector, with AGM season dominating company announcements. Tense talks continued between Hotel Property Investments (HPI) and the Charter Hall Retail REIT (CQR) led consortium. Following the rejected revised bid of $3.85-per-share, the bid was lowered to $3.785-per-share. As expected, HPI directors have unanimously recommended shareholders reject the offer. Stockland Corporation Limited (SGP) acquired 12 Australian residential master-planned communities from Lendlease (LLC) for $1.06bn. The transfer of projects was completed on 29 November. Dexus (DXS) has announced it has entered into an agreement to sell two office properties (Pyrmont, Sydney and Brisbane) for $443.2m.

The Australian residential property market experienced an increase of +0.1% Month on Month (as represented by CoreLogic's five capital city aggregate). Perth continued its strong run and was the biggest riser (+1.1%, 21.0% YoY), followed by Adelaide (+0.8%) and Brisbane (+0.6%). In contrast, Melbourne was the worst performer and continued to experience a fall in value (-0.4%) alongside Hobart (-0.1%) and Sydney (-0.2%).

Alternatives

Preliminary estimates for November indicate that the index increased by 0.6 per cent (on a monthly average basis) in SDR terms, after increasing by 3.2 per cent in October (revised). The non-rural subindex increased in the month, while the rural and base metal subindices both declined. In Australian dollar terms, the index increased by 2.0 per cent in November.

Over the past year, the index has decreased by 11.8 per cent in SDR terms, led by lower iron ore and coking coal prices. The index has decreased by 12.6 per cent in Australian dollar terms.

Currencies

The Australian dollar (AUD) depreciated over the month of October, closing 2.1% lower in trade weighted terms to 61.5, depreciating against the US Dollar (USD), Pound Sterling (GBP) and Euro (EUR), whilst appreciating against the Japanese Yen (JPY).

The Australian dollar weakened against the USD in October, as the election cycle finalised whilst also having interest rates cut recently. Against other currencies, the AUD performed poorly, experiencing a depreciation against the Pound Sterling and the Euro as economic data experiences a gradual increase across Europe.

Relative to the AUD, the JPY depreciated the most in October, depreciating by 0.6%. Conversely, the USD was the highest performer of the month, appreciating in relative terms by 5.4% against the AUD. Year-on-year, the AUD remains ahead of the USD, EUR and JPY by 3.6%, 0.9% and 4.1% respectively, whilst the GBP is ahead by 2.1% in relative terms.