

# Monthly Market Snapshot

September 2023

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

# Market commentary

In September, global financial markets experienced a significant shift, characterised by a slowdown in the fall of inflation and expectation of persistence of higher cash rates. While the suggestion is still that cash rates have likely peaked in key regions, the narrative has changed to "higher for longer".

Markets responded to concerns that central banks might maintain elevated interest rates for an extended period, and policy rates may not come down until the second half of 2024. The result was a notable repricing in bond markets, with yields reaching cycle highs, and a widespread sell-off across equity markets.

US economic growth remains resilient but global growth remains below trend, with challenges in both manufacturing and services sectors. However, despite the mixed economic data, most major equity markets remained positive year-to-date.

US equities experienced a drop in September, driven by poor returns from the Technology sector. While a soft landing in the US economy seems to be the market consensus, it is not without its risks, and a soft landing for the economy may not guarantee a safe landing for markets.

European equities experienced a more moderate decline over the month, while the UK was a surprising exception, rising over the month aided by a falling currency. The Chinese stock market was weighed down by ongoing concerns about the property sector and the broader economic outlook. This contributed to a negative return for the month from emerging market equities.

While Australian equities faced challenges, they posted a small negative return, outperforming global markets in aggregate. Resources provided a glimmer of positivity, with commodity prices rising.

Oil prices were driven by ongoing supply restrictions and improved demand expectations. However, higher oil prices pose an additional burden on consumers and raise concerns about near-term inflation.

Major central banks held policy meetings over the month. Inflation rates fell but remained too high for central banks to relax, maintaining a hawkish rhetoric, particularly from the US Federal Reserve.

Bond markets produced negative returns. The stance of central banks raised concerns about higher interest rates for longer, which was reflected in a material increase in government bond yields. The US fiscal position added to the challenges faced by bond markets, with concerns about the growing debt pile and widening deficit leading to expectations of increased Treasury issuance.

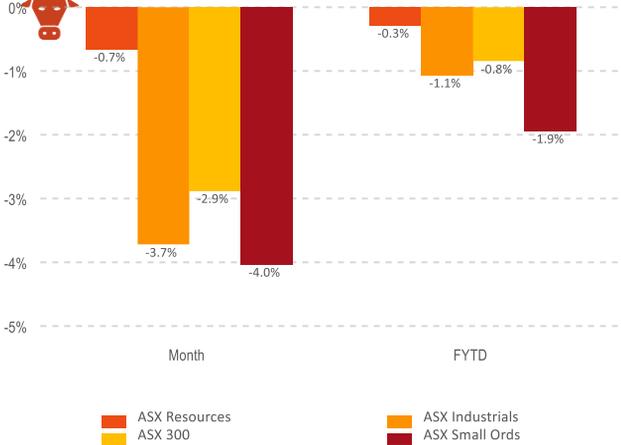
The USD strengthened in September. The Australian dollar depreciated moderately against the US dollar but showed strength against other major currencies. In aggregate currency hedging was a small positive contributor to returns.

Listed property and infrastructure produced negative returns in September as yields rose and sentiment deteriorated. Australian residential property prices continued to stabilise, after previous falls.

# September 2023



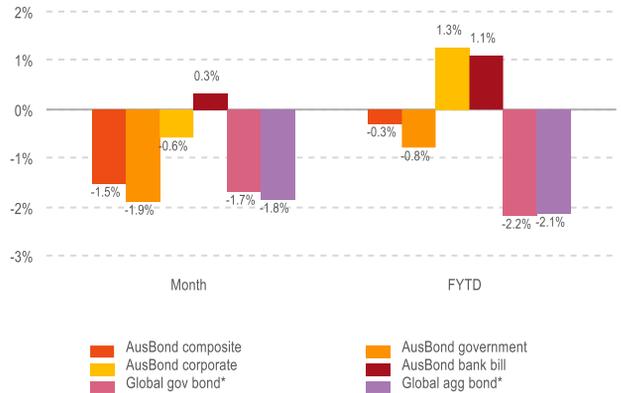
## Australian equities



Source: LSEG Datastream



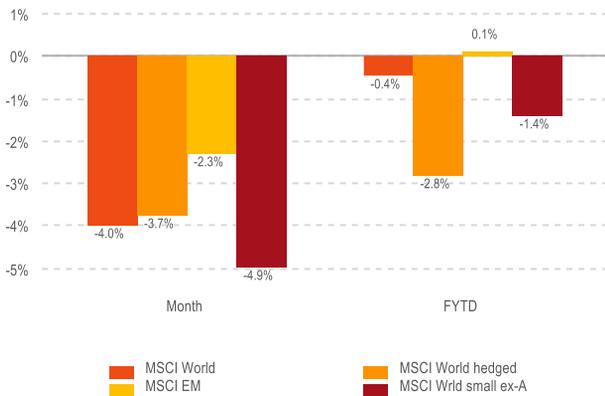
## Fixed income



Source: LSEG Datastream



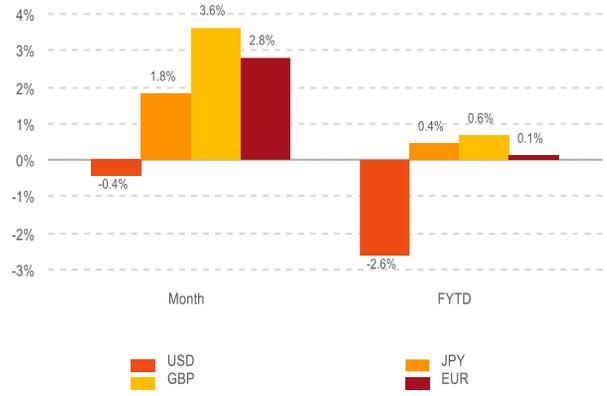
## International equities (\$A)



Source: LSEG Datastream



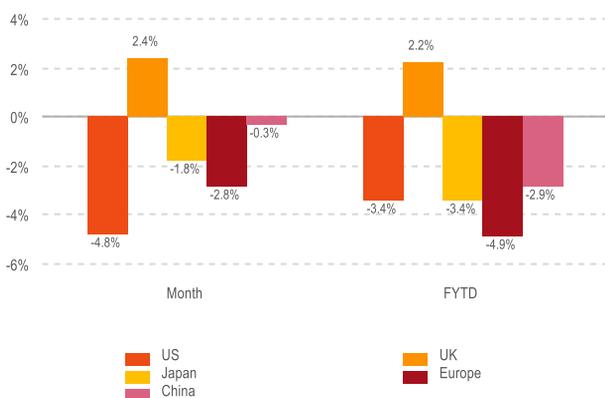
## Australian dollar



Source: LSEG Datastream



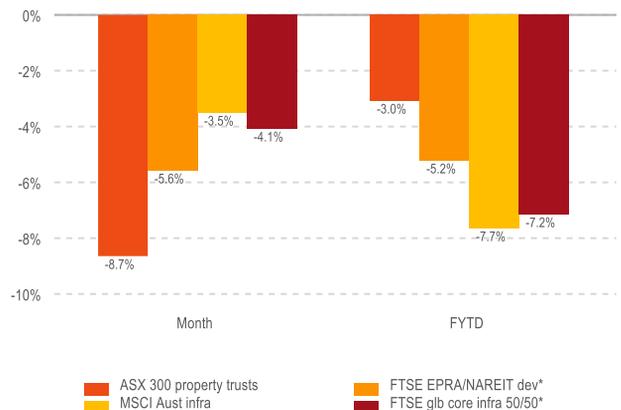
## International equities



Source: LSEG Datastream



## Real assets



Source: LSEG Datastream \*Hedged A\$

Details of the indices are in the table on the next page

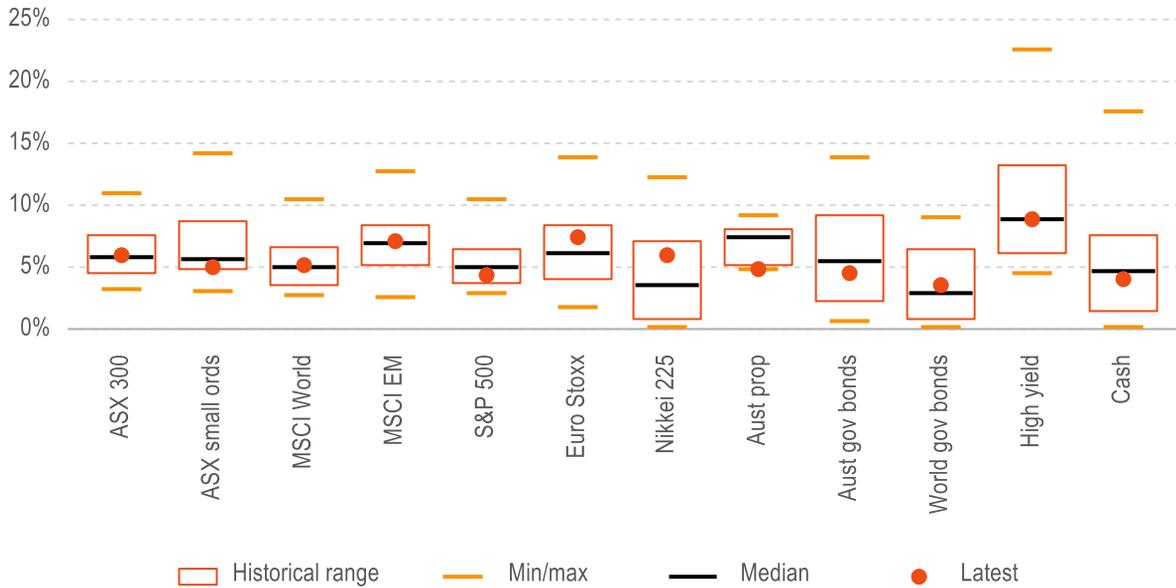
# September 2023

	Index Value	Month	3 Months	FY24	1 Year	5 Yr p.a.	
<b>Australian Equities</b>							
	S&P/ASX 300 Accum. Index	6,999	-2.9%	-0.7%	-0.8%	11.5%	6.6%
	S&P/ASX 300 Accum. Industrials Index	10,370	-3.7%	-1.0%	-1.1%	8.8%	5.1%
	S&P/ASX 300 Accum. Resources Index	5,846	-0.7%	0.0%	-0.3%	19.1%	11.7%
	ASX Small Caps Accum. Index	2,713	-4.0%	-1.8%	-1.9%	6.1%	1.6%
<b>International Equities</b>							
	MSCI World Index (\$A)	4,951	-4.0%	0.3%	-0.4%	21.2%	9.7%
	MSCI World Index (Hedged \$A)	3,944	-3.7%	2.4%	-2.8%	8.5%	6.5%
	MSCI Emerging Markets Index (\$A)	1,066	-2.3%	0.0%	0.1%	12.4%	2.9%
	MSCI World ex-Aus Small Cap Index (\$A)	586	-4.9%	-1.1%	-1.4%	14.6%	5.5%
	US (S&P 500 Index in USD)*	4,288	-4.9%	-2.5%	-3.6%	17.8%	8.0%
	US Tech (NASDAQ Index in USD)*	13,219	-5.8%	-2.7%	-4.1%	23.1%	10.4%
	United Kingdom (FTSE 100 Index in GBP)*	7,608	2.3%	1.8%	1.0%	10.6%	0.3%
	Japan (Nikkei 225 Index in JPY)*	31,858	-2.3%	-4.1%	-4.0%	20.6%	5.7%
	Europe (Stoxx 50 Index in EUR)*	4,175	-2.8%	-4.1%	-5.1%	27.3%	4.2%
	China (Shanghai Composite Index in CNY)*	3,110	-0.3%	-2.3%	-2.9%	2.3%	2.0%
<b>AUD versus ...</b>							
	USD	0.65	-0.4%	-2.4%	-2.6%	-0.1%	-2.2%
	JPY	96.33	1.8%	0.8%	0.4%	3.0%	3.3%
	GBP	0.53	3.6%	0.9%	0.6%	-11.9%	-0.9%
	EUR	0.61	2.8%	0.6%	0.1%	-8.7%	-0.3%
<b>Real Assets</b>							
	ASX 300 Listed Property Trusts Accum. Index	1,310	-8.7%	-3.3%	-3.0%	11.3%	2.8%
	FTSE EPRA / NAREIT Dev. Index (Hedged \$A)	1,347	-5.6%	-4.7%	-5.2%	1.2%	-1.7%
	MSCI Australia Infrastructure	1,164	-3.5%	-7.5%	-7.7%	5.0%	4.7%
	FTSE Global Core Infra 50/50 Index (Hedged \$A)	2,131	-4.1%	-6.5%	-7.2%	-3.4%	3.6%
<b>Oil and Commodities</b>							
	Crude Oil (US\$/bbl)	90.8	8.6%	30.0%	28.5%	11.2%	4.4%
	Copper Spot (US\$/tonne)	8,213	-2.3%	0.4%	-1.3%	7.4%	5.6%
	Gold Spot (US\$/ounce)	1,857	-4.4%	-2.9%	-3.1%	12.0%	9.3%
<b>Australian Fixed Interest</b>							
	Bloomberg AusBond Composite Index	9,498	-1.5%	-0.3%	-0.3%	1.6%	0.3%
	Bloomberg AusBond Government Index	9,725	-1.9%	-0.8%	-0.8%	0.5%	0.1%
	Bloomberg AusBond Corporate Index	10,546	-0.6%	1.3%	1.3%	4.7%	1.7%
	Bloomberg AusBond Bank Bill Index	9,391	0.3%	1.1%	1.1%	3.6%	1.3%
<b>Global Fixed Interest</b>							
	Bloomberg Global Gov. Bond Index (Hedge \$A)	332	-1.7%	-2.1%	-2.2%	-0.2%	-0.3%
	Bloomberg Global Agg. Bond Index (Hedge \$A)	960	-1.8%	-2.0%	-2.1%	0.5%	-0.2%
<b>Fixed Income (yields) as at ...</b>							
		Sep 2023	Aug 2023	Jun 2023	Jun 2023	Sep 2022	Sep 2018
	Australia Bank Bill	4.05	4.05	4.12	4.14	2.67	1.88
	Australia 10-Year Government Bond	4.49	4.11	3.92	4.00	3.96	2.67
	US 10-Year Government Bond	4.57	4.11	3.84	3.81	3.75	3.06
	UK 10-Year Government Bond	4.44	4.43	4.38	4.39	4.14	1.57
	Germany 10-Year Government Bond	2.84	2.51	2.41	2.39	2.21	0.47
	Japan 10-Year Government Bond	0.76	0.65	0.38	0.40	0.25	0.13

\*Price Index

# Asset class yields relative to history

Yields (equities earnings) at Sep 2023



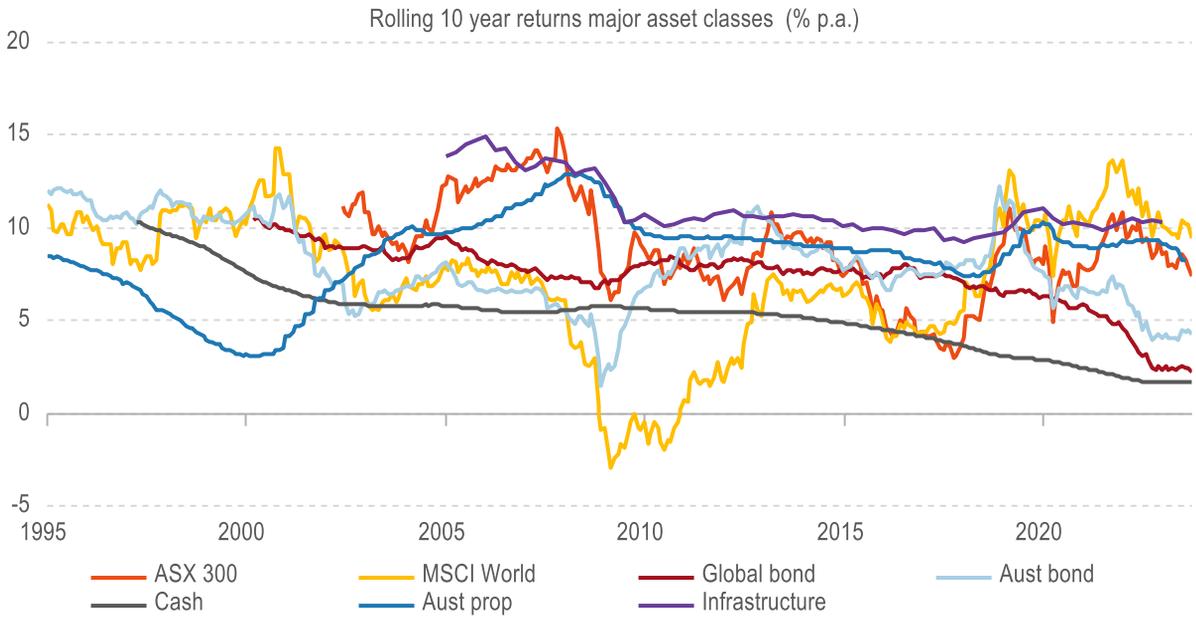
Source: LSEG Datastream

Relative yields (vs bond or cash yield) at Sep 2023

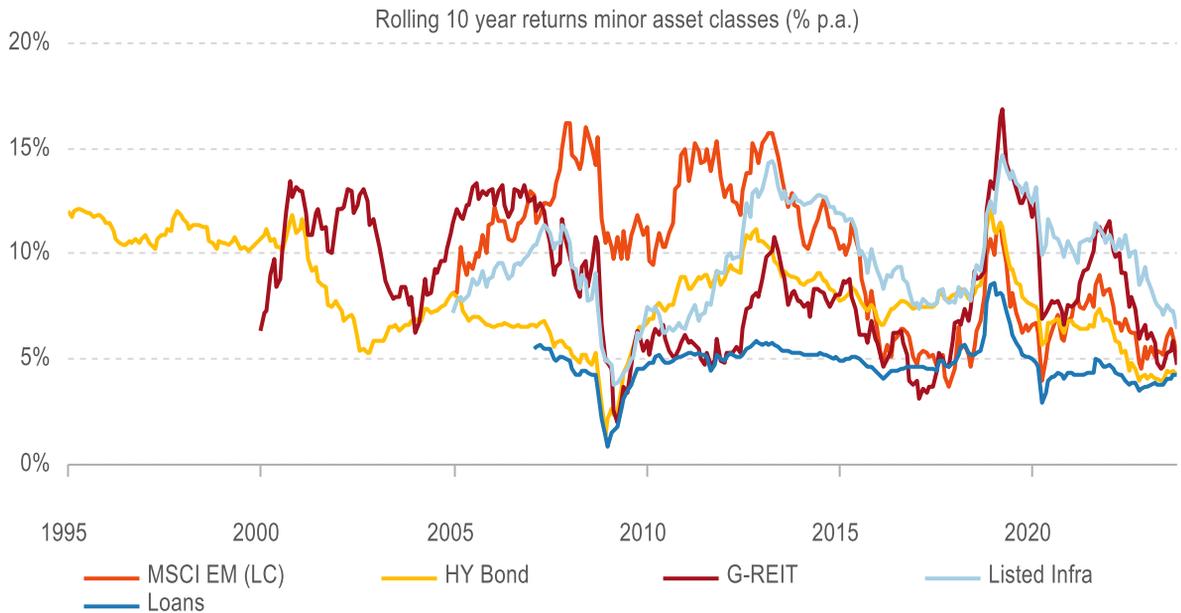


Source: LSEG Datastream

# Asset class long-term returns

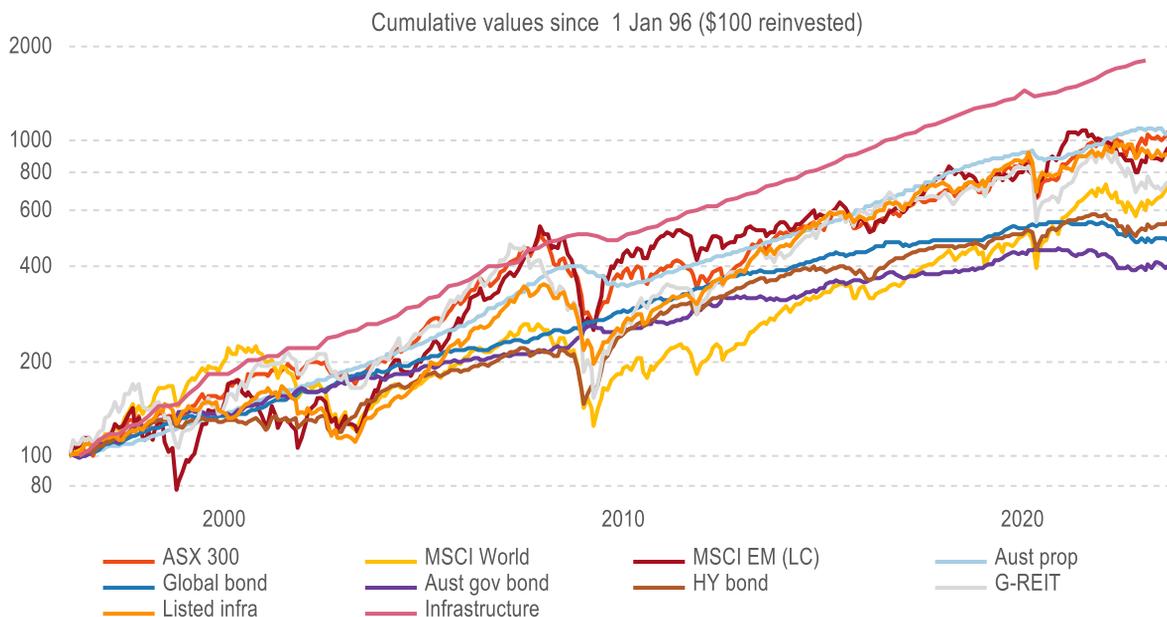


Source: LSEG Datastream

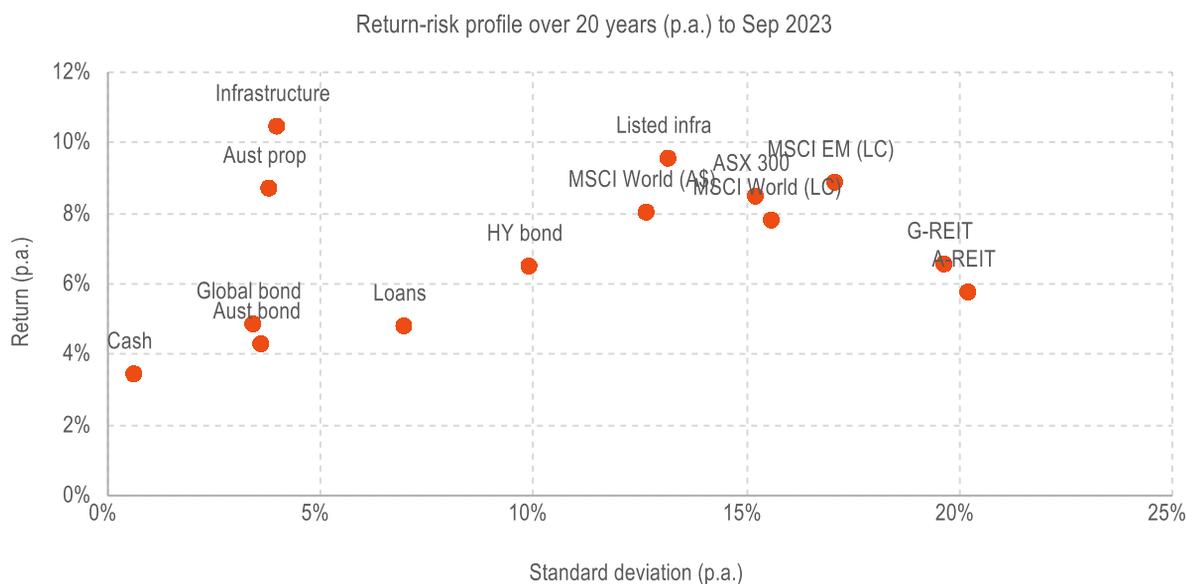


Source: LSEG Datastream

# Asset class long-term returns



Source: LSEG Datastream



Source: LSEG Datastream



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