December 2023

Market Wrap

November: Solid rebound

- After a poor month for nearly all investments in October, returns during November were exceptional strong.
- During November, **Global Share** performance, especially on a hedged basis was great. Global shares gained 4.4% on an unhedged basis, and gained a stellar 8.0% on a hedged basis.
- For November, the U.S. S&P 500 price index was up 8.9% in local currency. Global shares rocketed in November as traders started to bet on a Goldilocks scenario of inflation falling and central banks lowering interest rates.
- **Australian shares** also gained ground over the month, with the broad market index, the S&P/ASX 200 Accumulation Index gaining 5.0%. The best performing styles for the month were Growth and Small Caps. The best performing sector was Health Care returning 11.7%, while the worst performing sectors were Energy and Utilities, down by 7.4% and 6.0% respectively.
- **Fixed income** had a very strong month, with Australian Fixed Interest gaining 3.0%, while global fixed interest gained 3.2%.
- The Australian dollar gained a very solid 4.7% against the U.S. dollar over the month. The most recent rally in the AUD/USD has been driven by elevated commodity prices, positive risk sentiment, and a hawkish RBA, amid a weakening U.S. dollar facing pressure from the Fed's dovish pivot and anticipated 1.25% of rate cuts expected next year.

Inflation cools in both the U.S. & Europe

Globally

- The annual inflation rate in the U.S. slowed to 3.2% in October 2023 from 3.7% in both September and August, and below market forecasts of 3.3%. Energy costs dropped 4.5% (vs -0.5% in September), with gasoline declining 5.3%, utility (piped) gas service falling 15.8% and fuel oil sinking 21.4%.
- The inflation rate in the Euro Area declined to 2.4% year-on-year in November 2023, reaching its lowest level since July 2021 and falling below the market consensus of 2.7%.

Locally

- The monthly Consumer Price Index (CPI) indicator in Australia increased by 4.9% in the year to October 2023, slowing from September's five-month-high of 5.6%, below forecasts of 5.2%. It was the first decline in annual inflation and the slowest pace since July.
- As largely expected, the RBA kept the official cash rate at 4.35% at its December meeting.

Major asset class performance

Asset classes	1 month %	1 year %	5 years (p.a.) %
Australian Shares	5.0%	1.5%	8.7%
Australian small companies	7.0%	-3.2%	4.0%
Global shares (hedged)	8.0%	11.0%	8.8%
Global shares (unhedged)	4.4%	14.4%	12.2%
Global small companies (unhedged)	4.4%	3.0%	7.7%
Global emerging markets (unhedged)	3.1%	5.3%	4.3%
Global listed property (hedged)	9.0%	-4.2%	-0.9%
Cash	0.3%	3.8%	1.4%
Australian fixed income	3.0%	0.2%	0.4%
International fixed income	3.2%	0.9%	0.2%

Source: FactSet, Lonsec & Insignia Financial, 30 November 2023

Indices used: Australian Shares: S&P/ASX 200 Accumulation Index, Australian small companies: S&P/ASX Small Ordinaries Accumulation Index, Global shares (hedged): MSCI World ex Australia Net Total Return (in AUD), Global shares (unhedged): MSCI World ex Australia Hedged AUD Net Total Return Index; Global small companies (unhedged): MSCI World Small Cap Net Total Return USD Index (in AUD); Global emerging markets (unhedged): MSCI Emerging Markets EM Net Total Return AUD Index; Global listed property (hedged): FTSE EPRA/NAREIT Developed Index Hedged in AUD Net Total Return; Cash: Bloomberg AusBond Bank Bill Index; Australian fixed income: Bloomberg AusBond Composite 0+ Yr Index; International fixed income: Bloomberg Barclays Global Aggregate Total Return Index Value Hedged AUD
Please note: Past performance is not indicative of future performance.

Currency markets

Exchange rates	At close on 30/11 %	1 month change %	1 year change %
USD/AUD	0.6631	**4.7%**	**-1.0%**
Euro/AUD	0.6077	**1.4%**	**-6.6%**
Yen/AUD	98.02	**2.2%**	**4.9%**

Source: FactSet & Insignia Financial, 30 November 2023.

All foreign exchange rates are rounded to two decimal places where appropriate.
Please note: Past performance is not indicative of future performance.