

# Market Watch

## August: Mixed Month

- Major asset classes delivered mixed returns for the month of August.
- Global Shares** on a hedged basis gained 1.8%. Global shares on an unhedged basis detracted -1.2%. Value as an investment style once again outperformed growth and momentum, although all three recorded negative returns for the month of August.
- Australian shares** recorded marginal gains for the month. The S&P/ASX 200 Accumulation Index was up 0.5% over the month. August was reporting season for companies listed on the ASX and companies that exhibited growth and capital discipline, were handsomely rewarded. Consumer stocks are also holding up better than expected, largely driven by Baby Boomers and credit conditions have improved.
- Global small caps** fell, returning a disappointing -3.3% for the month. The brief rally in Global Small Caps from the previous month was short lived, as recession worries spurred a sell-off in growth and risky assets.
- Fixed income** had another strong month with Australian Fixed Interest returning +1.2% and International Fixed Interest returning +1.0% for the month.
- Property and Infrastructure** stocks were the star standout for the month. In recent months, we've started to see a rotation from investors into the sector, on the back of interest rate expectations and attractive valuations.
- The **Australian dollar** AUD was rallied against all major currencies over the month. Most notably, the AUD rose 3.41% against the USD. This was largely on the back of rate cut expectations in the U.S. in combination with a hawkish tilt by the Reserve Bank of Australia. Over 12 months, the AUD has now strengthened against all major currencies.

## Job Market Cooling

### U.S.

- The annual unemployment rate in the U.S. fell from 4.3% to 4.2% in August.
- Nonfarm payroll employment increased by 140,000 in August, falling short of market expectations of 160,000. This marks the second month where nonfarm payroll numbers undershot expectations. Revisions to nonfarm payroll numbers in prior months, point towards a cooldown in the U.S. job market.
- In the U.S., the number of job openings fell by 237,000 to 7.7 million in July 2024 from a downwardly revised 7.9 million in June. at 8.2 million on the last business day of June. Labor force participation remains unchanged at 62.7% in August.

### Locally

- The Consumer Price Index (CPI) indicator in Australia fell to 3.5% in the year to July 2024, slightly down from a 3.8% rise in the 12 months to June. The most significant increases coming from Alcohol and tobacco (+7.2%), Housing (+4.0%), Transport (+3.4%) and Food and non-alcoholic beverages (+3.8%).
- The Australian Job market remains tight. Australia's seasonally adjusted unemployment rate rose to 4.2% in July 2024, an

increase of 0.5% from 12 months ago and a slight increase of 0.1% from June 2024 figure.

## Major asset class performance

| Asset classes                      | 1 month % | 1 year % | 3 years (p.a.) % | 5 years (p.a.) % |
|------------------------------------|-----------|----------|------------------|------------------|
| Australian Shares                  | 0.5       | 14.9     | 6.7              | 8.1              |
| Australian small companies         | -2.0      | 8.5      | -2.9             | 3.9              |
| Global shares (unhedged)           | -1.2      | 18.8     | 9.6              | 13.1             |
| Global shares (hedged)             | 1.8       | 22.7     | 6.5              | 11.9             |
| Global small companies (unhedged)  | -3.3      | 10.9     | 3.0              | 8.9              |
| Global emerging markets (unhedged) | -2.2      | 9.8      | -0.6             | 4.6              |
| Global listed property (hedged)    | 5.0       | 15.4     | -2.5             | 0.3              |
| Listed Infrastructure (hedged)     | 2.9       | 18.1     | 4.0              | 4.0              |
| Cash                               | 0.4       | 4.4      | 2.7              | 1.8              |
| Australian fixed income            | 1.2       | 5.2      | -1.8             | -0.6             |
| International fixed income         | 1.0       | 6.0      | -2.2             | -0.7             |

Source: Lonsec iRate, Rhombus Advisory, 31 August 2024

**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; Listed Infrastructure (hedged): FTSE Global Core Infrastructure 50/50 NR Index (AUD Hedged) 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 31/07 % | 1 month change % | 1 year change % |
|----------------|---------------------|------------------|-----------------|
| AUD/USD        | 0.68                | 3.41%            | 4.33%           |
| AUD/Euro       | 0.61                | 1.32%            | 2.39%           |
| AUD/Yen        | 99.03               | 0.79%            | 4.78%           |

Source: Bloomberg, Rhombus Advisory, 31 August 2024

All foreign exchange rates are rounded to two decimal places where appropriate.

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