

Market Watch

December: Markets Pullback

- Hawkish outlook from the Fed caused global financial markets to experience a pullback in December, ending a strong year on a subdued note.
- Australian shares** fell -3.2% over the month, with Real Estate -5.95%, Materials -4.51% and Information Technology -4.39% sectors all leading the fall.
- Global Shares** on a hedged basis fell -1.9%. Global Shares on an unhedged basis gained +2.6%. The AUD fell by -5.0% against the greenback on the back of commentary from the Fed, tempering future rate cut expectations. Growth and Momentum as factors, outperformed Value.
- Global emerging markets** was the best performing asset class, returning +5.1% for the month. At the country level, Chinese equities were bolstered by strong PMI numbers, pointing to a modest expansion for the country's manufacturing sector. India stocks fell on weaker than expected GDP growth numbers while South Korean equities were sold off heavily due to political turmoil.
- Global small caps** had a negative month with the asset class returning -1.1% on the back of future rate cut expectations and some profit taking.
- Fixed income** had a mixed month with the Australian bonds, outperforming their global peers. Despite the RBA keeping rates on hold, markets were more optimistic on the prospect of a rate in the near term.
- Property and Infrastructure** had a negative month with Global listed property (hedged) returning -6.4% and Listed Infrastructure (hedged) -5.1% for the month.
- The **Australian dollar** AUD fell against all major currencies over the month. Most notably, the AUD fell -5.0% against the USD and -3.3% against the British pound.

Job Market:

U.S.

- The annual unemployment rate in the U.S. unexpectedly fell to 4.1% in December, down from 4.2% in November.
- U.S. Non-farm payrolls rose by 256,000 in December, a material increase from the month prior and far exceeding market expectations.
- Labor force participation was unchanged for the month, remaining at 62.5%.

Locally

- The Consumer Price Index (CPI) in Australia came in at 2.3% year on year (yoy) to November 2024. Surpassing market expectations and accelerating from the prior month. The largest sector increases came from Tobacco (+6.7%), Recreation and Culture (+3.2%) and Food & Non-Alcoholic Beverages (+2.9%).
- Australia's seasonally adjusted unemployment rate rose by 0.1% to 4.0% in December 2024. Australia's labour participation rose by 0.2% to a record high of 67.1% in December.

Major asset class performance

Asset classes	1 month %	1 year %	3 years (p.a.) %	5 years (p.a.) %
Australian Shares	-3.2	11.4	7.4	8.1
Australian small companies	-3.1	8.4	-1.6	4.0
Global shares (unhedged)	2.6	31.2	12.3	14.1
Global shares (hedged)	-1.9	20.7	6.4	10.5
Global small companies (unhedged)	-1.1	19.2	6.1	9.2
Global emerging markets (unhedged)	5.1	18.5	3.5	4.3
Global listed property (hedged)	-6.4	2.8	-5.6	-1.4
Listed Infrastructure (hedged)	-5.1	12.1	2.1	2.9
Cash	0.4	4.5	3.2	2.0
Australian fixed income	0.5	2.9	-0.8	-0.2
International fixed income	-0.9	2.2	-1.9	-0.5

Source: Lonsec iRate, Rhombus Advisory, 31 December 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 31/12 %	1 month change %	1 year change %	3 year change %
AUD/USD	0.62	-5.0	-9.2	-5.2
AUD/GBP	0.49	-3.3	-7.6	-2.7
AUD/Euro	0.60	-3.0	-3.2	-2.2
AUD/ Yen	97.31	-0.2	1.3	5.2

Source: Bloomberg, Rhombus Advisory, 31 December 2024

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

Please note: Past performance is not indicative of future performance.