

Market Watch

January: Strong start to the year

- All the talk was on the US leadership with Donald Trump taking the office on the 20th of January and with Chinese firm DeepSeek releasing a new chatbot artificial intelligence (AI) model.
- Australian shares** returned +4.6% over the month with the index reaching an unprecedented high of 8,532 in late January, the Small Cap market rebounded up +4.2% after returning -3.1% in December.
- Global Shares** on a hedged basis was up +3.5%. Global Shares on an unhedged basis gained +2.7%. US shares were up but lagged other regions with European shares the standout performer over the month.
- Global small caps** had a positive month returning +2.7% on the back of future rate cut expectations and some profit taking.
- Global emerging markets** returned a modest +1.0% after a strong November with Colombia the top-performing region, with India the worst performing region related to growth concerns.
- Property and Infrastructure** after negative returns over November the Global listed property (hedged) sector returned +1.6% and Listed Infrastructure (hedged) sector +0.7% over the month.
- Fixed income** was up due to positive news on inflation with Australian bonds returning +0.2% and global bonds returning +0.4%.
- The **Australian dollar AUD** was up slightly against major currencies except for the Yen. Most notably, the AUD was up 1.3% against the British pound over the month.

Job Market:

U.S.

- The annual unemployment rate in January fell to 4.0%, down from 4.1% in December last year which reveals a moderating yet healthy US labour market.
- U.S. Non-farm payrolls rose by +143,000 in January, below the 169,000 forecast and well below the gains seen in November 2024 (+261,000) and December 2024 (+307,000).
- Labor force participation ticked up slight over January at 62.6%.

Locally

- The Consumer Price Index (CPI) in Australia came in at 2.4% year on year (yoy) to December 2024 falling from 2.8% yoy for the September quarter. The largest quarterly increases came from Education (+6.5%), Alcohol and tobacco, (6.2%) and Insurance and financial services (+5.4%).
- Australia's seasonally adjusted unemployment rate rose slightly by 0.1% to 4.0% in December 2024 due to a rise in new job seekers. Australia's labour participation rose by 0.2% to a record high of 67.1% in December 2024.

Major asset class performance

Asset classes	1 month %	1 year %	3 years (p.a.) %	5 years (p.a.) %
Australian Shares	4.6	15.2	11.4	8.0
Australian small companies	4.6	12.3	3.1	4.3
Global shares (unhedged)	2.7	28.9	14.1	13.8
Global shares (hedged)	3.5	22.7	9.4	11.3
Global small companies (unhedged)	2.7	22.0	8.7	9.3
Global emerging markets (unhedged)	1.0	21.6	3.4	4.5
Global listed property (hedged)	1.6	8.1	-3.3	-1.3
Listed Infrastructure (hedged)	0.7	14.9	3.3	2.4
Australian fixed income	0.2	2.9	-0.4	-0.6
International fixed income	0.4	3.0	-1.2	-0.7
Cash	0.4	4.5	3.3	2.1

Source: Lonsec iRate, Rhombus Advisory, 31 January 2025

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 31/01	1 month change %	1 year change %	3 year change %
AUD/USD	0.62	0.5	-5.3	-4.2
AUD/GBP	0.50	1.3	-3.2	-1.6
AUD/Euro	0.60	0.3	-1.3	-1.6
AUD/Yen	96.68	-0.9	-0.1	5.8

Source: Lonsec iRate, Rhombus Advisory, 31 January 2025

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

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