

Monthly Market Review

AUGUST 2024

Markets were volatile in August. Equity markets plummeted at the start of the month following a surprise interest rate hike by the Bank of Japan and disappointing U.S. economic data which continues to drive fears of a U.S. recession. Volatility, as measured by the VIX Index, spiked to its highest level since the pandemic. The Japanese equity market (as measured by the Nikkei 225) saw the biggest decline globally, plunging close to 20% (in JPY) in the first three trading days of August. In the U.S., the rotation out of the Information Technology sector into the broader market continued from July.

Global equity markets recovered quickly as fears subsided, supported by solid U.S. corporate earnings growth and the prospect of lower interest rates after comments by Federal Reserve (Fed) Chair Jerome Powell that “*the time has come*” to begin easing interest rates. Meanwhile, bond markets delivered positive returns in August as the market began to price in more aggressive rate cuts by the Fed. Central Banks globally are shifting their focus from inflation to economic growth and employment, as inflation continues to trend downwards.

Australia

- The Australian equity market, as measured by the S&P/ASX 200 Accumulation Index, rose 0.5% in August. Information Technology (+7.9%), Industrials (+3.5%) and Communications (2.3%) outperformed, while Energy (-6.7%), Materials (-2.1%) and Utilities (-1.7%) lagged the Index.
- Australian bonds outperformed equities, with the Bloomberg AusBond Composite Index (AUD) delivering a 1.2% return in August.
- Australian monthly CPI was 3.5% over the 12 months to July, down from 3.8% in June. The most significant price rises were Housing (+4.0%), Food and non-alcoholic beverages (+3.8%), Alcohol and tobacco (+7.2%) and Transport (+3.4%). Energy prices were significantly reduced by the introduction of a rebate program in Queensland and Western Australia.
- The RBA kept the cash rate steady at 4.35% in the August meeting and reaffirmed its commitment to returning inflation to its target level. The Australian labour market remains tight, with the July unemployment rate only slightly higher at 4.2%.
- The Westpac Melbourne Institute Consumer Sentiment Index rose 2.8% to 85 in July, remaining in deeply pessimistic territory. While there are some tentative signs of improvement in household finances, concerns remain around stubbornly high inflation and higher-for-longer interest rates.
- Nationally, residential property price growth continued, increasing 0.6% as measured by the CoreLogic five capital city aggregate. Perth prices climbed 2.0%, followed by Adelaide (+1.4%) and Brisbane (+1.1%). Nationally, residential property prices increased 7.4% over 12 months.

International

- After an initial sharp sell-off, equity markets recovered and broadly closed the month higher. The S&P 500 Index initially fell 6.1% by 5 August, then recovered to close the month up 2.3%. Similarly, the NASDAQ Index closed the month up 0.6% after tumbling 7.9%.

- Within the S&P 500, Consumer Staples (+5.8%), Real Estate (5.6%) and Health Care (5.0%) outperformed, while Energy (-2.3%), Consumer Discretionary (-1.1%) and Information Technology (1.2%) dragged the Index lower.
- Weaker U.S. economic data fuelled concerns of a potential recession. The U.S. July jobs report showed the smallest payroll increase (114k) in over three years, and U.S. unemployment increased slightly to 4.3%. Meanwhile, July ISM manufacturing was well below expectations.
- U.S. inflation is trending lower. Headline CPI rose in July by 0.2% and was 2.9% over the year (versus 3.0% in June) – the smallest annual increase since March 2021. Annual Core inflation – excluding highly volatile food and energy components – fell to 3.2% in July, down from 3.3% in June.
- The U.S. 10-year bond yield remained volatile, closing at 3.90% (versus 4.03% at the end of July). The Bloomberg Global Agg Bond Index (AUD) Index returned 1.1% over the month.
- The Euro Stoxx 600 Index gained 1.3% in August. Annual inflation in the Eurozone fell to a three year low of 2.2% from 2.6% in August. Core inflation – which strips out food, energy, alcohol and tobacco – fell to 2.8% in August, down from 2.9% in July.
- The Bank of Japan increased its policy rate by 25 basis points in late July. This led to an abrupt unwinding of carry trade positions in early August – which relied on cheap Japanese yen borrowing costs to buy higher returning assets globally. The Nikkei 225 plunged close to 20% in the first three trading days of August, before closing the month down 1.2%.
- The USD Index (the value of the U.S. dollar against a basket of widely recognised, publicly traded currencies) rose 0.4% in August. The Australian dollar closed at 67.65¢ (vs 65.42¢ in July).

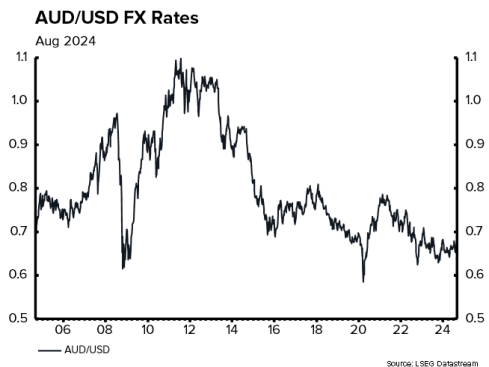
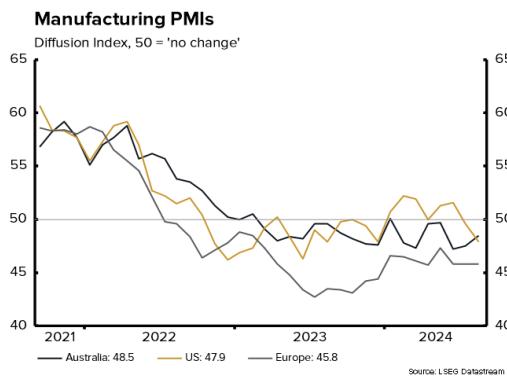
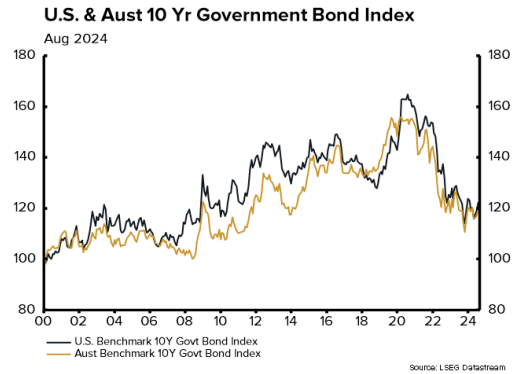
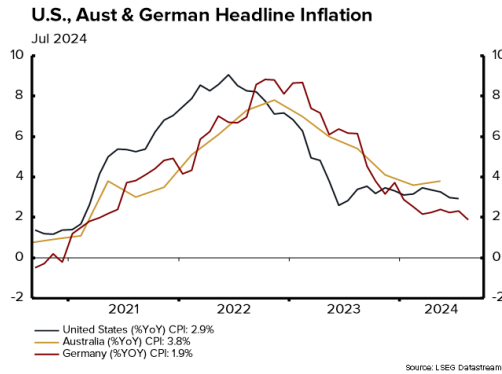
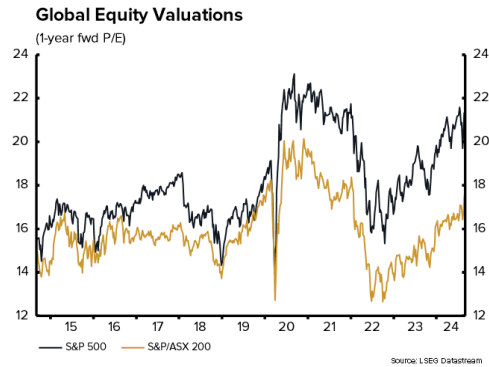
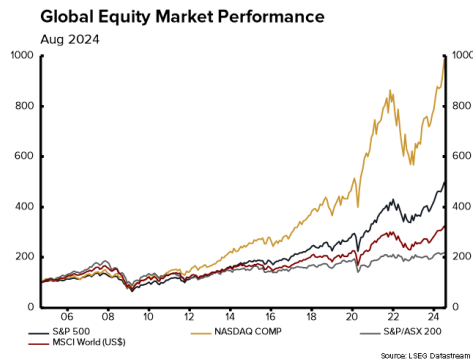
Commodities

- Commodity markets remained volatile as increasing concerns of a recession weighed on the demand outlook for oil. West Texas Intermediate Crude fell 5.6% in August, closing the month at US\$73.55/bbl. Brent crude also declined, falling 2.4% over the month to close at US\$78.80/bbl.
- Gold (USD) continued to rally, climbing 2.3% in August and up 21.3% CYTD. Volatility returned to spot iron ore prices, falling another 0.5% in August and down 28.9% YTD.

Global Markets – 31 August 2024

Equities	YTD	1 Month	3 Months	1 Year	3 Years (p.a.)	5 Years (p.a.)
S&P /ASX 200 Accumulation Index (AUD)	9.1%	0.5%	5.7%	14.9%	6.7%	8.1%
S&P/ASX Small Ordinaries Index (AUD)	2.6%	-2.2%	-0.6%	5.6%	-5.6%	1.2%
S&P 500 Index (USD)	18.4%	2.3%	7.0%	25.3%	7.7%	14.1%
NASDAQ Composite Index (USD)	18.0%	0.6%	5.8%	26.2%	5.1%	17.3%
Russell 3000 Index (USD)	17.1%	2.0%	6.9%	24.4%	6.3%	13.4%
FTSE 100 Index (GBP)	8.3%	0.1%	1.2%	12.6%	5.6%	3.1%
Euro Stoxx 600 (EUR)	9.6%	1.3%	1.3%	14.6%	3.7%	6.7%
Nikkei 225 (JPY)	15.5%	-1.2%	0.4%	18.5%	11.2%	13.3%
Hang Seng (HKD)	5.5%	3.7%	-0.5%	-2.1%	-11.4%	-6.9%
MSCI Emerging Markets Index (USD)	7.4%	1.4%	4.9%	12.2%	-5.6%	2.2%
MSCI World Ex Australia (AUD)	17.6%	-1.2%	4.4%	18.8%	9.6%	13.1%
Bonds						
Bloomberg AusBond Composite Index (AUD)	2.9%	1.2%	3.5%	5.2%	-1.8%	-0.6%
Bloomberg Global Agg Bond Index (AUD)	2.9%	1.1%	3.9%	7.8%	-2.7%	-0.3%
Currency						
AUD/JPY	2.9%	0.8%	-5.5%	4.8%	7.1%	6.7%
AUD/USD	-0.7%	3.4%	1.7%	4.3%	-2.6%	0.1%

Source: Bloomberg 31 August 2024 (All returns are in local currency terms.)



Please contact your Advisor for further details or [click here](#) for a copy of our latest Quarterly Outlook.

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