ARRIVE
WEALTH MANAGEMENT

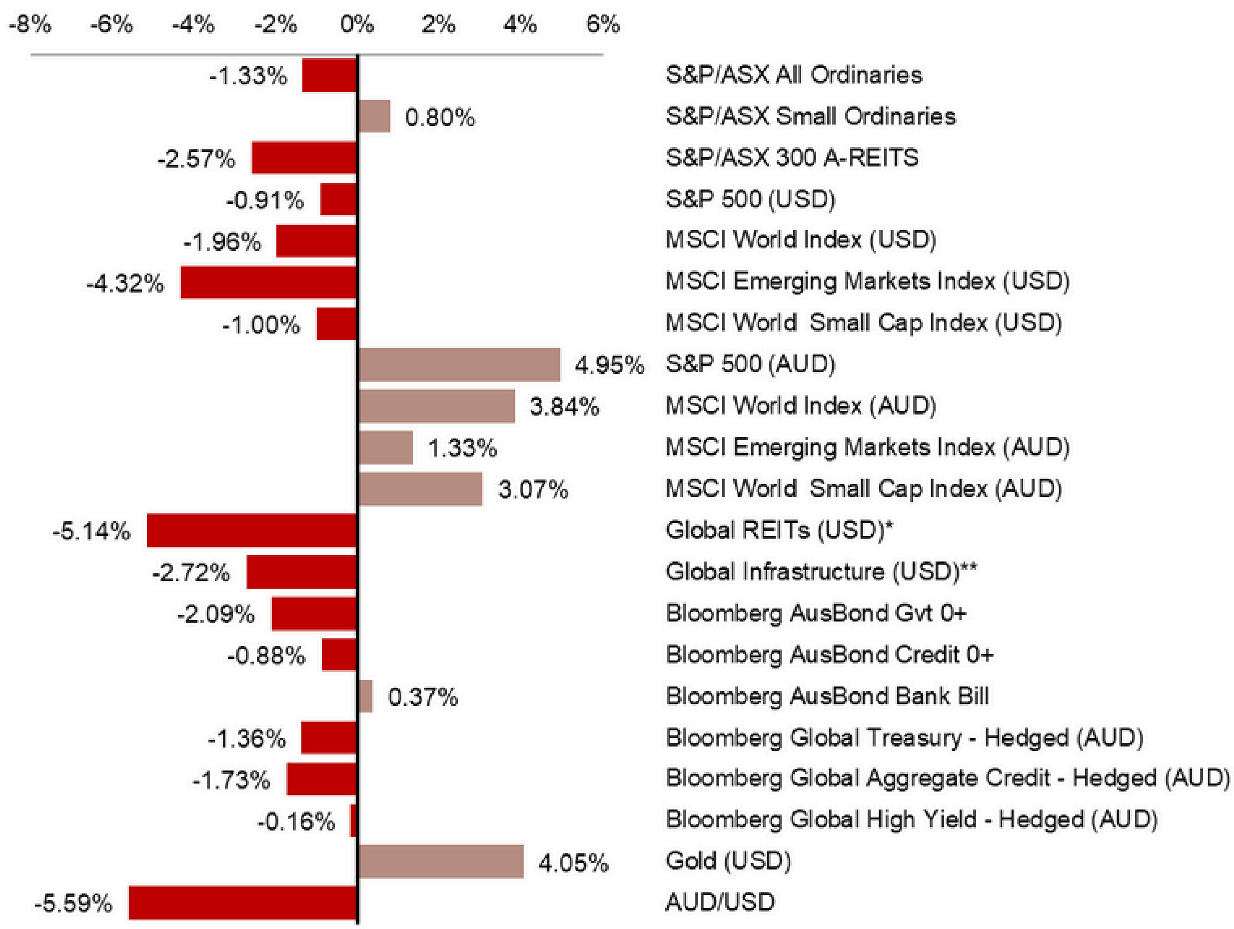
INVESTMENT AND ECONOMIC SNAPSHOT

OCTOBER 2024

HIGHLIGHTS

- In October, equity markets pulled back marginally but government bonds saw high levels of volatility amidst a significant sell-off.
- Strong economic growth in the US and resilient labour market data both domestically and in the US, led to a recalibration of interest rate expectations resulting in higher bond yields.
- The Australian dollar depreciated sharply as the US dollar gained against major currencies.
- The US Presidential election added to market volatility as investors responded to swings in the election polls.

SELECTED MARKET RETURNS (%) OCTOBER 2024



Sources: *FTSE EPRA Nareit DEVELOPED, **FTSE Global Core Infrastructure 50/50 Index

FINANCIAL DEVELOPMENTS

MSCI WORLD INDEX DIPS AMID CURRENCY FLUCTUATIONS AND MARKET VOLATILITY

The MSCI World Index (USD) declined from intra-month highs to close 1.96% lower. A sharp weakening of the Australian dollar (-5.96%) boosted the MSCI World Index (AUD) by 3.84%. Global equity and bond markets responded to better-than-expected economic data, while US election uncertainty increased volatility.

S&P/ASX ALL ORDINARIES DOWN AMID MIXED SECTOR PERFORMANCE

The S&P/ASX All Ordinaries dipped 1.33%. Consumer Staples declined 6.99% due to a weak trading update from Woolworths. Rising yields helped lift Financials by 3.29%, continuing their strong run this year. Defensive sectors also showed positive returns with Healthcare gaining 0.89% and Communications Services lifting 0.75%. Small caps outperformed their large cap counterparts with the S&P/ASX Small Ordinaries gaining 0.8%.

US EQUITY MARKETS DECLINE AMID ELECTION UNCERTAINTY AND MIXED EARNINGS REPORTS

US equity markets sold off in late October, with the S&P 500 Index (USD) and Russell 2000 Index (USD) declining 0.91% and 1.49% respectively. Resilient economic data supported equity markets while rising yields impacted sectors sensitive to interest rates. Uncertainty around the US Presidential election added to market volatility as investors adjusted positions in response to changes in the election polls.

The US earnings season produced broadly stronger earnings with 70% of companies having reported by month end. Solid earnings were overshadowed by disappointing outlooks from some mega-cap technology companies which pressured the Nasdaq (USD) 0.52% lower. Financials led the gains supported by strong banks earnings, followed by Communications Services.

The Healthcare sector was the weakest as earnings from large-cap pharmaceutical companies disappointed.

Rising yields and increased risk aversion weighed on the MSCI Emerging Market Index which retraced some of September's gains, falling 4.32%. Chinese shares dipped with the Hang Seng (HKD) falling 3.86% as investors moderated their expectations for further Chinese fiscal stimulus. European markets also broadly underperformed, reflected in the 2.6% fall in the Euro 100 Index (EUR).

GOLD RALLIES, OIL GAINS AMID VOLATILITY AND IRON ORE DECLINES

Gold continued its strong run, rising 4.1% to close at $2744/ounce on Central Bank and investor demand. Crude oil ended at 70.52 US$/ barrel, up 1.2%, experiencing significant swings as sentiment shifted in response to further volatility in the Middle East. However, excess capacity has limited oil price rises. Iron ore gave back some of its recent gains, declining by 7.3% as enthusiasm for China's stimulus package waned.

BOND YIELDS SURGE AMID ECONOMIC RESILIENCE AND RATE REPRICING

Australian and US bond markets experienced significant selloffs as bond yields rose on resilient economic and labour market data. This led to a repricing of interest rate expectations and a steepening of the respective yield curves. The Australian 10-year benchmark yield jumped by 60 bps to close the month at 4.52%, lifted by a decreasing likelihood that the RBA will cut interest rates soon The benchmark US 10-year bond yield also spiked, ending the month 49 bps higher at 4.28%.

ECONOMIC DEVELOPMENTS

AUSTRALIAN RATE CUT EXPECTATIONS DWINDLE

Australian labour market data highlighted a resilient jobs market as the economy added 64,100 jobs in September, more than double the market expectation. The unemployment rate of 4.1% remained unchanged, coming in below the expected 4.2%.

September quarter CPI measured 2.8%, significantly down from the June quarter's reading of 3.8%. This was principally aided by government electricity subsidies. Excluding the effects of volatile inputs such as electricity, the trimmed mean CPI measure matched expectations of 3.5%. While inflation continued its moderating trend, services inflation of 4.6% remained elevated.

Consumer sentiment improved by 6.2% in October. This was not reflected in retail sales which rose by only 0.1% month-on-month, below the 0.3% consensus estimate. Purchasing Manager Index (PMI) data continued to show divergent sector activity. Manufacturing PMI data remained weak, while the Services PMI reading of 50.6 signalled marginal improvement.

The combination of a stronger labour market, resilient economic activity and sticky inflation has tempered rate cut expectations from the RBA. Markets are pricing in a less than 50% chance of a 25 bps rate cut in February 2025 but expectations remain for two rate cuts for the period to September 2025.

A RESILIENT US ECONOMY AND LABOUR MARKET

The US economy maintained momentum with annualised third-quarter GDP growth of 2.8%. Despite decelerating from 3% in the second quarter, US GDP growth remains above trend supported by the third consecutive quarter of rising consumption, reiterating the strength of the US consumer as a driver of growth. US inflation continued decelerating, with September Headline CPI rising by 2.4% compared to the 2.5% market estimate.

Core PCE, the Fed's preferred inflation gauge, met expectations showing a slight reacceleration reaching 2.7% year-on-year.

Strong US labour market data boosted confidence in economic growth, adding further impetus for markets to adjust the expected path of interest rate cuts. Nonfarm payrolls grew by 254 thousand, from 155 thousand the previous month, and far exceeded expectations of 150 thousand. The unemployment rate unexpectedly fell to 4.1% from 4.2%.

GLOBAL ECONOMIC GROWTH HOLDS AS CENTRAL BANKS CUT RATES

The European Central Bank implemented its third consecutive rate cut of 25 bps as inflationary concerns continued to dissipate. Third-quarter GDP growth for the Eurozone surprised to the upside accelerating by 0.4% from 0.2% in the second quarter with a broad regional improvement. The disinflationary trends continued across developed markets with September data showing that inflation slowed across the UK, Canada and New Zealand, prompting further rate cuts from their respective Central Banks.

Chinese authorities disappointed markets as they failed to provide further details as to the quantum of fiscal stimulus measures following September's market-moving announcements. Monetary policy continued to be eased as the People's Bank of China cut rates by a further 25 bps. Third-quarter GDP met expectations, growing by 4.6% but remained below the 5% growth target. Industrial production and retail sales improved, as did factory activity, but the property market remains depressed with property investment down 10.1% year-to-date.

OUTLOOK

Global markets have remained close to all-time highs despite recent weakness. A positive economic growth backdrop, resilient labour market data and moderating inflation have underpinned investor sentiment. This, coupled with synchronised global Central Bank monetary policy easing, will likely continue to support global markets.

As we enter a seasonally positive period for equities, the US Presidential election adds a layer of uncertainty. Strong earnings results from large corporates are also supportive of the equity market outlook, but moderating growth expectations may weigh on equity markets where valuations remain higher than historical averages. Labour market data has been resilient, but underlying trends point to a softening in labour market conditions.

The current economic and financial market environment continues to support a "Soft Landing" scenario. However, risks persist, necessitating a balanced and adaptive approach to portfolio management to achieve investment objectives in this evolving landscape.

MAJOR MARKET INDICATORS

	31-Oct-24	30-Sep-24	31-Aug-24	Qtr change	1 year change
Interest Rates (at close of period)					
Aus 90 day Bank Bills	4.41%	4.42%	4.38%	-5.0	+20.0
Aus 10yr Bond	4.52%	3.92%	3.98%	+19.0	-11.0
US 90 day T Bill	4.44%	4.52%	4.98%	-71.0	-89.0
US 10 yr Bond	4.28%	3.79%	3.92%	+22.7	-62.7
Currency (against the AUD)					
US Dollar	0.655	0.694	0.679	0.31%	3.45%
British Pound	0.507	0.518	0.517	0.40%	-2.95%
Euro	0.606	0.621	0.614	0.98%	1.09%
Japanese Yen	99.92	99.32	98.93	1.68%	4.20%
Trade-Weighted Index	61.50	62.80	62.60	0.16%	2.16%
Equity Markets					
Australian All Ordinaries	-1.3%	3.4%	0.4%	2.5%	25.4%
MSCI Australia Value (AUD)	-1.6%	3.2%	0.1%	1.7%	21.9%
MSCI Australia Growth (AUD)	-0.3%	1.0%	1.0%	1.7%	32.1%
S&P 500 (USD)	-0.9%	2.1%	2.4%	3.7%	38.0%
MSCI US Value (USD)	-1.2%	1.7%	2.9%	3.4%	31.8%
MSCI US Growth (USD)	-0.3%	2.5%	2.0%	4.2%	44.7%
MSCI World (USD)	-2.0%	1.9%	2.7%	2.5%	34.3%
Nikkei (YEN)	3.1%	-1.2%	-1.1%	0.7%	28.9%
CSI 300 (CNY)	-3.0%	21.1%	-3.3%	13.6%	12.2%
FTSE 100 (GBP)	-1.4%	-1.5%	0.9%	-2.1%	15.0%
DAX (EUR)	-1.3%	2.2%	2.2%	3.1%	28.8%
Euro 100 (EUR)	-2.6%	-0.8%	0.8%	-2.6%	16.3%
MSCI Emerging Markets (USD)	-4.3%	6.7%	1.6%	3.8%	25.9%
Commodities					
Iron Ore (USD)	-7.3%	8.4%	-0.5%	0.0%	-17.1%
Crude Oil WTI U$/BBL	1.2%	-7.7%	-6.1%	-12.3%	-14.8%
Gold Bullion $/t oz	4.1%	5.1%	3.4%	13.2%	37.3%

Source: Quilla and Refinitv

ARRIVE
WEALTH MANAGEMENT

Level 28
480 Queen Street
Brisbane QLD 4000
+61 7 3001 7000
admin@arrivewealth.com.au
arrivewealthmanagement.com.au

GENERAL DISCLAIMER

This report has been prepared by Arrive Wealth Management (SEQ) Pty Ltd, trading as Arrive Wealth Management. Arrive Wealth Management is a Corporate Authorised Representative of Arrive Capital Pty Ltd ABN 24 641 636 535, AFSL 525758.

This document contains information that is general in nature. It does not take into account the objectives, financial situation or needs of any particular person. You need to consider your financial situation and needs before making any decisions based on this information.

This report is confidential and is for the intended recipient only. It is not to be distributed or reproduced without the prior consent of Arrive Wealth Management (SEQ) Pty Ltd.

OCTOBER 2024