ARRIVE
WEALTH MANAGEMENT

INVESTMENT AND ECONOMIC SNAPSHOT

NOVEMBER 2022

HIGHLIGHTS

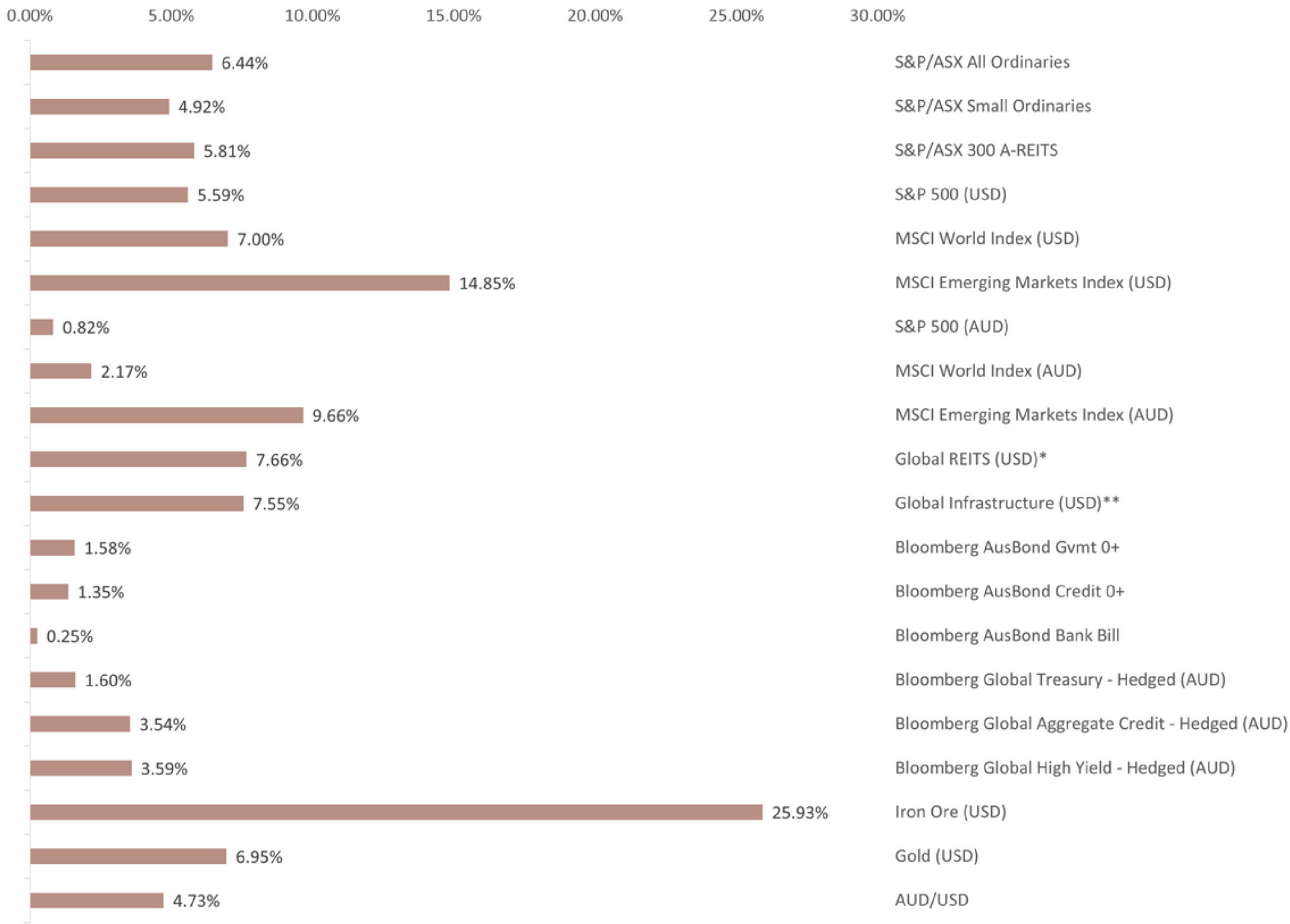
- Financial markets celebrated the silly season with an early Christmas present in November, generating strong above average returns.

- Global equities and emerging markets benefited from preliminary signs that inflationary pressures are gradually falling and that tough Chinese COVID-19 lockdowns may soon be a thing of the past.

- While the US Federal Reserve is likely to slow the pace of rate hikes at its next meeting, Chair Jerome Powell’s comments that labour market conditions are still too tight for the central bank to start thinking about cutting rates, failed to dampen the market’s enthusiasm for risky assets.

- The RBA eased off the interest rate brake with another ‘down sized’ 25bp hike, preferring a ‘wait and see’ approach for the moment, much to the delight of variable rate mortgage holders struggling under the weight of falling property values and skyrocketing mortgage payments.

SELECTED MARKET RETURNS NOVEMBER 2022



Sources: *Refinitiv G-7 Diversified REIT Index, **FTSE Global Core Infrastructure 50/50 Index

NOVEMBER KEY DEVELOPMENTS

The past couple of months have been much better than expected for equity and bond markets despite deteriorating demand conditions both domestically and globally. The ASX continued its golden run, posting +6.4% for the month and an impressive +3.0% for the year. Chinese equities (+9.8%) and emerging markets (+14.8%) were this month's standouts, however. Lower-than-anticipated inflation in the US supported these gains as investors revised their expectations for US Federal Reserve monetary policy. It also contributed to a depreciation of the US dollar which also helped reduce some of the financial pain for emerging market countries who have borrowed USD. Moreover, optimism over a potential relaxation of China's zero COVID-19 measures further fuelled the monthly rally. Bond markets were also in good spirits as was gold (+6.9%), which has struggled throughout most of 2022 but has recently started to attract attention on the back of speculation that the pace of rates looks likely to slow and the US Dollar is close to peaking.

As expected, the Federal Reserve delivered a seventy-five basis point rate hike in November, bringing the cumulative increase in the Fed funds rate to 3.75% since the start of the tightening cycle in March. While the anticipated rate rise did not excite the markets, comments from the US Federal Chair, certainly did. In a speech following the meeting, Jerome Powell echoed a similar point to that of the RBA, by observing that monetary policy affects the economy and inflation with uncertain lags, and the full effects of rapid tightening are yet to be felt.

Given this expectation, he felt that it made sense to moderate the pace of rate increases and that the time for moderating the pace may come as soon as mid-December. Also factoring into the central bank's thinking was the welcome revelation that US headline inflation slowed from 8.2% to 7.7% year-on-year in October, well below market expectations.

In Australia, the latest monthly inflation data was also a big surprise, printing at 6.9% for the year to October compared to the 8.0% expected by the RBA at the end of the year. The most significant contributors to the annual rise were new dwellings (+20.4%), automotive fuel (+11.8%) and fruit and vegetables (+9.4%). In contrast, Australian property values have gone the other way. In Sydney, home values have fallen almost 12% peak-to-trough. Across the five largest cities, the losses have accumulated to about 8%. Brisbane prices are down roughly 8.5%. Melbourne properties are off 7.5%.

In China, volatility in financial markets had increased following the conclusion of the National Congress meeting in October. Importantly, China's real estate sector continues to struggle with plunging home sales and sinking property prices. Compounding China's woes is that labour market conditions have worsened with unemployment rates picking up in September. On a positive note, we have learned that Shanghai, which has a population the size of Australia, has just announced it has eased its COVID-19 testing rules. This development has markedly improved sentiment and has buoyed the Chinese share market as a result.

MAJOR MARKET INDICATORS

	30-Nov-22	31-Oct-22	30-Sep-22	Qtr change	1 year change
Interest Rates (at close of period)					
Aus 90 day Bank Bills	3.06%	2.95%	2.76%	+75.0	+302.0
Aus 10yr Bond	3.71%	3.92%	3.74%	+34.0	+190.0
US 90 day T Bill	4.27%	4.06%	3.22%	+140.0	+422.0
US 10 yr Bond	3.70%	4.08%	3.80%	+56.9	+226.0
Currency (against the AUD)					
US Dollar	0.670	0.639	0.643	-2.31%	-5.55%
British Pound	0.559	0.554	0.584	-5.37%	4.20%
Euro	0.647	0.645	0.662	-5.92%	2.29%
Japanese Yen	93.45	95.31	92.57	-1.73%	15.80%
Trade-Weighted Index	62.10	61.30	61.50	-1.90%	3.16%
Equity Markets					
Australian All Ordinaries	6.4%	5.7%	-6.4%	5.3%	3.0%
MSCI Australia Value (AUD)	6.9%	6.7%	-5.3%	8.0%	13.8%
MSCI Australia Growth (AUD)	4.7%	5.9%	-7.3%	2.8%	-3.7%
S&P 500 (USD)	5.6%	8.1%	-9.2%	3.6%	-9.2%
MSCI US Value (USD)	6.1%	11.1%	-8.2%	8.2%	4.1%
MSCI US Growth (USD)	4.7%	4.6%	-10.4%	-1.9%	-25.1%
MSCI World (USD)	7.0%	7.2%	-9.3%	4.1%	-10.4%
Nikkei (YEN)	1.4%	6.4%	-6.9%	0.4%	2.7%
CSI 300 (CNY)	9.8%	-7.7%	-6.7%	-5.4%	-18.6%
FTSE 100 (GBP)	7.1%	3.0%	-5.2%	4.6%	11.3%
DAX (EUR)	8.6%	9.4%	-5.6%	12.2%	-4.7%
Euro 100 (EUR)	8.0%	7.3%	-6.8%	7.9%	1.8%
MSCI Emerging Markets (USD)	14.8%	-3.1%	-11.7%	-1.7%	-17.1%
Commodities					
Iron Ore (USD)	25.9%	-16.5%	-1.0%	4.1%	-3.3%
Crude Oil WTI U$/BBL	-7.0%	8.2%	-11.2%	-10.7%	21.6%
Gold Bullion $/t oz	7.0%	-2.2%	-2.6%	1.9%	-1.6%

Source: Quilla and Refinitv

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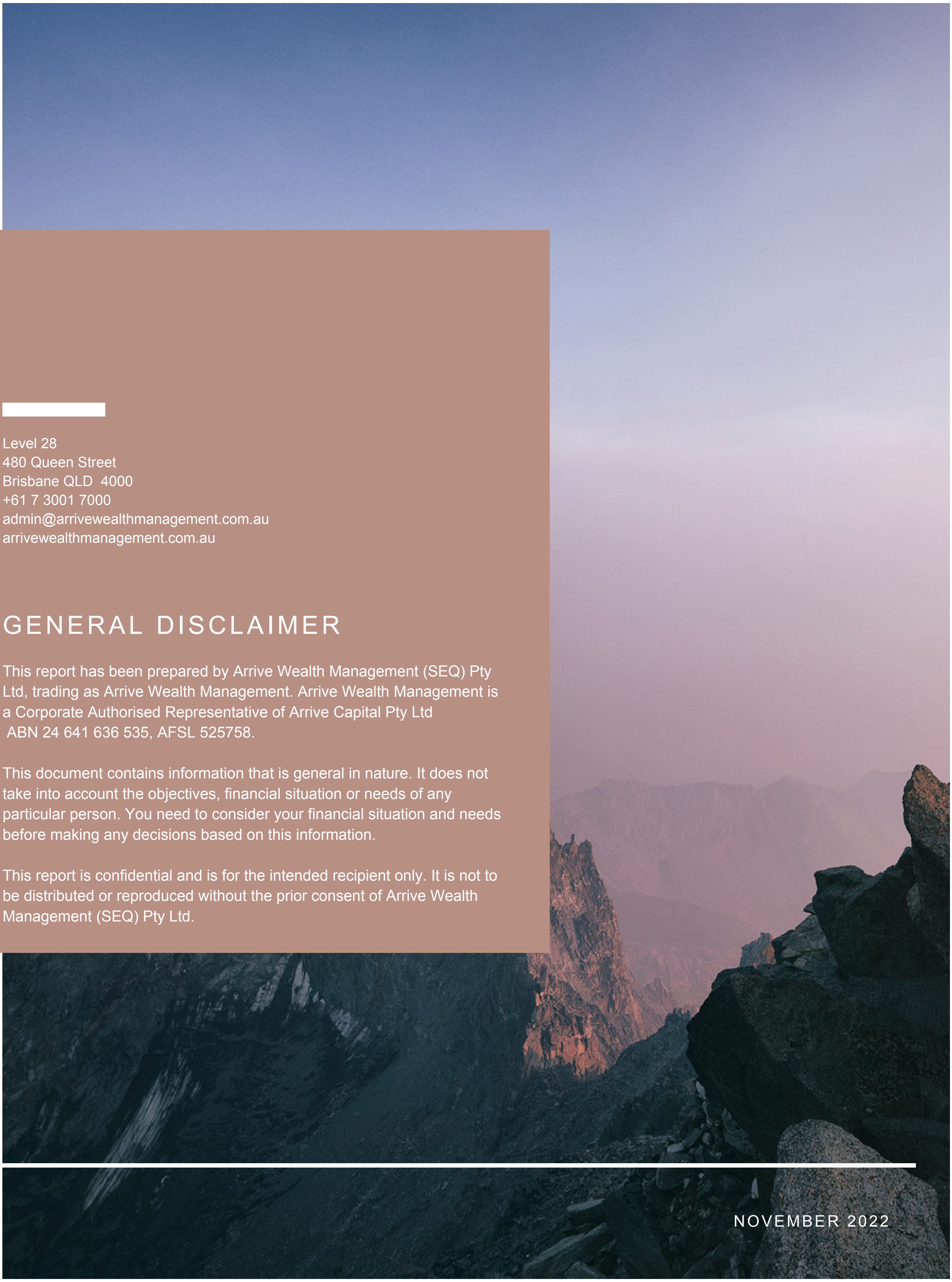

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