

# Market wrap



## December: 2023 Ends on a High

- After a poor month for nearly all investments in October, returns during November and December were exceptional.
- During December, **Global Share** performance, especially on a hedged basis was solid. Global shares gained 1.8% on an unhedged basis, and gained a very favourable 3.9% on a hedged basis.
- For December, the U.S. S&P 500 price index was up 4.4% in local currency. Global shares continued to perform well in December, as the market priced in further cuts to both interest rates and bond yields.
- **Australian shares** had a great close to the year, with the broad market index, the S&P/ASX 200 Accumulation Index gaining 7.3% for the month. The best performing styles for the month were Quality and Momentum, although there was relatively little differentiation between styles. The best performing sector was Property Trusts returning 10.1%, while the lowest performing sectors were Utilities and Energy, up by 1.4% and 3.4% respectively.
- **Fixed income** had a very strong month, with Australian Fixed Interest gaining 2.7%, while global fixed interest gained 3.0%.
- The Australian dollar gained a solid 2.9% against the U.S. dollar over the month, as many market participants started to factor in imminent rate cuts in the U.S.

## Inflation Ticks Up in the U.S. and Europe

### Globally

- The annual inflation rate in the U.S. went up to 3.4% in December 2023 from a five-month low of 3.1% in November, higher than market forecasts of 3.2%, as energy prices went down at a slower pace. Energy costs dropped 2% (vs -5.4% in November), with gasoline declining 1.9% (vs -8.9%) and fuel oil sinking 14.7% (vs -24.8%).
- The inflation rate in the Euro Area rose to 2.9% year-on-year in December 2023, climbing from an over two-year low of 2.4% seen in November, yet slightly below the market consensus of 3%, according to a preliminary estimate. It was the first uptick in inflation since April and was primarily propelled by energy-related base effects.

### Locally

- The monthly Consumer Price Index indicator in Australia rose by 4.3% for the year to November 2023, down from 4.9% in October and less than forecasts of 4.4%. It was the second straight month of moderation in annual inflation, with the latest reading pointing to the lowest since January 2022.
- As expected, the RBA kept the official cash rate at 4.35% at its December meeting. The next cash rate announcement will be on February 6<sup>th</sup>.

## Major asset class performance

Asset classes	1 month %	1 year %	5 years (p.a.) %
Australian Shares	7.3%	12.4%	10.3%
Australian small companies	7.2%	7.8%	6.4%
Global shares (hedged)	3.9%	21.7%	11.6%
Global shares (unhedged)	1.8%	23.2%	13.6%
Global small companies (unhedged)	6.5%	15.0%	10.4%
Global emerging markets (unhedged)	1.0%	9.2%	4.3%
Global listed property (hedged)	8.2%	7.9%	1.9%
Cash	0.4%	3.9%	1.4%
Australian fixed income	2.7%	5.1%	0.6%
International fixed income	3.0%	5.3%	0.5%

Source: FactSet, Lonsec & Insignia Financial, 31 December 2023

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; 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 %
USD/AUD	0.6824	2.9%	0.6%
Euro/AUD	0.6177	1.6%	-2.8%
Yen/AUD	96.20	-1.9%	7.5%

Source: FactSet & Insignia Financial, 31 December 2023.

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

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