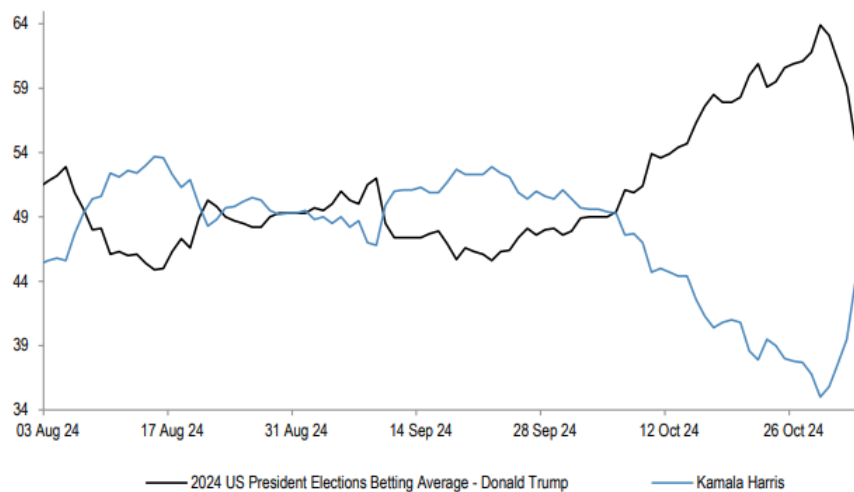


MONTHLY SUMMARY

MARKET SUMMARY

- The ‘Trump Trade’ impacted markets in October – During the month investors moved to price in not only a Trump election win, but a “Red sweep”. Bond yields rose and the US Dollar soared as investors braced for higher fiscal spending (increased US treasury issuance), higher tariffs (inflationary) and lower taxes.

US Election – Donald Trump and Kamala Harris betting odds



Source: Bloomberg Finance L.P.

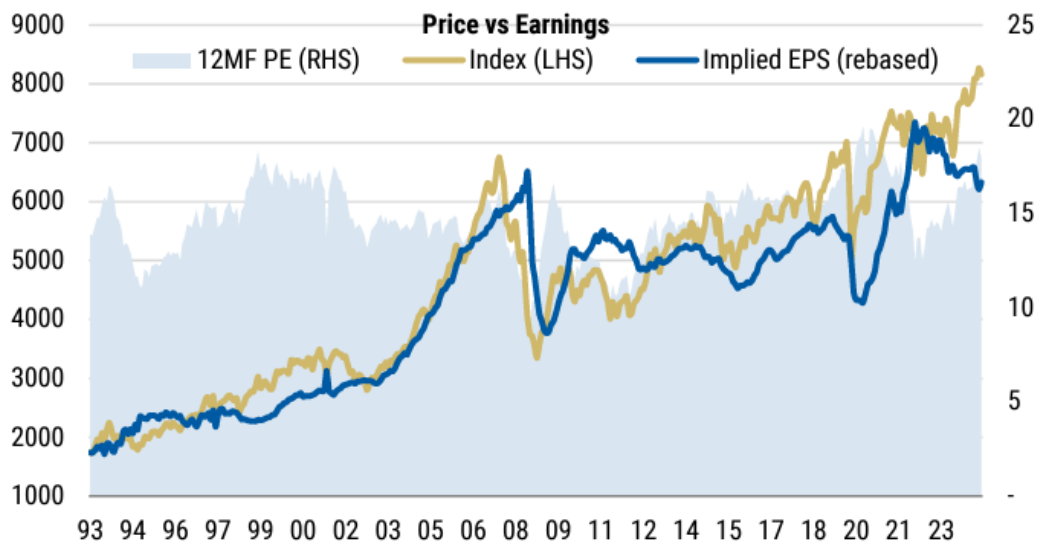
- **Share markets took a breather** - In local currency, Australian equities (ASX200 -1.3%) outperformed global equities (MSCI World ex Aust -1.65%). Japan’s Nikkei rose 3.1% while the US S&P500 fell 0.9%, Asia-Pacific ex Japan dropped 4.2% and Europe sank 3.3%. However, given the large fall in the \$A/\$US during the month (-4.8%), **in \$A terms global equities rallied 3.92%**. ASX small caps rose 0.8% while Australian property securities fell 2.5% negatively impacted by higher bond yields.
- **Bonds fell as investors repriced the outlook for interest rates** – Australian bonds (Bloomberg AusBond Comp 0+Y index) fell 1.88% as bond yields moved higher. The value of Bonds falls as yields rise. Australian 10-year bond yields rose 53bps to 4.5%, while US 10-year bond yields rocketed 50bps higher to 4.28%. Better than expected US economic data, rising geo-political risks and a higher chance of a Trump election victory all contributed to higher yields. Cash returns rose 0.37% month on month.
- **ASX Sector returns** – The Gold sector outperformed rising 10.3%. Financials ex property (+3.3%) were also a standout sector supported by the major banks. Hub24 rallied 18% and Block Inc soared 16%. Conversely, the worst performers were Utilities (-7.2%), Consumer Staples (-7.0%) and Materials (-5.2%). Consumer Staples were impacted by a poor trading update from Woolworths. Mineral Resources dropped 24% and Wisetech fell 14% sullied by governance issues. Taking market capitalisation into account, the major banks were the key contributors. Conversely, the biggest drags on the index were the major miners (BHP and Rio Tinto) and Consumer stocks (Woolworths and Wesfarmers).
- **Company updates** – In Australia, AGM season so far has been slightly more negative than positive. Financial company updates have been most resilient, while consumer related sectors have been softer. Bluescope



Steel, building materials company Reece Limited, and Woolworths have disappointed. Travel companies Web Travel and Flight Centre fell 45% and 28.5% respectively in October. In the US and Europe, 3rd quarter earnings results have been broadly solid helped by Financials, technology, and healthcare stocks.

- **Macro-economic news** – Australian employment rose 64k month-on-month (mom) above expectations (+25k) due to public sector hiring. September retail sales rose 0.1% mom and house price growth softened. Markets are pricing in a 25bps rate cut in the US in November, while the RBA is expected to remain on hold until next year. Economic surprises in the US were (on average) positive in October. US payrolls (jobs) rose solidly again. Continued news out of China around stimulus measures were outlined with more measures to be announced after the US election result. The European Central Bank cut rates by 25bps.
- **Commodities were mixed** – Gold prices rose 4% to \$US2750/oz supported by central bank buying and geo-political tensions. Oil (+2%) also rose marginally. Base Metals fell 2.8% and iron ore prices sank 7% to \$US105/t. The lithium sector experienced some M&A, while big tech companies appear to be underwriting the nuclear sector with Amazon exploring development of a small modular nuclear reactor to power sites.
- **ASX200 Earnings and valuation** - In aggregate, ASX200 earnings have been revised down 4.3% over the last 3 months which compares poorly against global equity markets. ASX200 valuation levels remain challenged at 18.2x forward earnings vs the long-term average of 15x while earnings are only forecast to grow by 0.8% in FY25 (vs global equities at ~10%). Materials (Resources) earnings are now forecast to fall ~12% in FY25. The ASX200 12-month-forward dividend yield is 3.6% - well below historic average levels.
- **Outlook** - On the back of continued solid mega-tech earnings results, global Central Banks moving to an easing cycle and Chinese stimulus announcements, investors are pricing in a return to profit growth in Australia in FY25 and ongoing robust US earnings growth. However, we would argue that global and US equity market valuations still appear excessive and should be treated with some caution.

ASX200 Price vs forward Earnings-per-share (EPS)



Source: RIMES, IBES, Morgan Stanley Research. As at October 31, 2024.

- **Superannuation flows supporting markets** – UBS reported that recently released APRA data showed a record A\$57bn flowed into Australian Superannuation Funds through the June quarter. These contributions were particularly strong, having increased by 13% over the last 12 months, a pace almost double the growth they have averaged over the last 20 years.

Equity Trustees is a subsidiary of EQT Holdings Limited (ABN 22 607 797 615), a publicly listed company on the Australian Securities Exchange (ASX: EQT). This publication has been prepared by Equity Trustees Limited to provide you with general information only. In preparing this information, we did not take into account the investment objectives, financial situation or particular needs of any particular person. It is not intended to take the place of professional advice and you should not take action on specific issues in reliance on this information. Neither Equity Trustees nor any of its related parties, their employees or directors, provide any warranty of accuracy or reliability in relation to such information or accepts any liability to any person who relies on it. Past performance should not be taken as an indicator of future performance. Copyright © 2024 Equity Trustees, All rights reserved.