



Cooling Inflation, Election Results and Rate Cuts Propel Markets Higher

Global equities were mixed in October, amidst the heightened uncertainties leading up to the much-anticipated US Presidential election. International shares saw a 3.9% gain, while Emerging market continued their positive momentum from the previous month, posting a 1.2% increase and signaling investor optimism across specific global regions.

On the domestic front, broader Australian equities fell by 1.3% as eight out of eleven ASX sectors ended the month in negative territory. However, Australian smaller companies achieved a modest 0.8% gain for the month. Rising bond yields placed pressures on domestic and global interest rate-sensitive sectors. Australian bonds were down 1.9% while global bonds dropped by 1.5% for the month. In the real estate and infrastructure space, Australian property was down 2.5%, global property fell by 3.7%, while global infrastructure closed 0.9% lower.

Two key events driving recent global market movements were the U.S. Federal Reserve's recent rate cut and Donald Trump's re-election for a second term in office.

The Federal Reserve cut rates by 0.25% during its November meeting, following the larger 0.5% cut in September. Fed Chair Jerome Powell emphasised that the central bank remains committed to a "data-driven approach" with each future policy decision to be assessed on a meeting-by-meeting basis.

Chart below- Depicts the considerable rallies of the Three Key US Indices (S&P500, Nasdaq and Dow Jones) Post US Presidential Election - 7th November 2024 (Right Side)



US Markets rallied following the election results, with the S&P 500 and Nasdaq hitting new record highs. Tesla led the tech sector rally, while U.S. banks also saw strong gains on the back of potential tax cuts and deregulations. Overall, investor sentiments were optimistic about Trump's pro-business policies, although there are still lingering concerns regarding implications of the potential trade tariffs and the chances of an increasing federal deficit under the Trump administration.

With a majority of S&P 500 companies having completed third quarter reporting, 75% have beaten expectations, driving the overall earnings growth rate to 5.3%. On a sector basis, US Financials were amongst the leaders with strong results from Goldman Sachs, while the Tech sector lagged, impacted by Apple's significant miss.

In Australia, annual inflation dropped to 2.8% during the third quarter, falling within the Reserve Bank's target range for the first time since 2021, the unemployment rate was steady, while input costs fell to its lowest levels since 2020. More Australian businesses reported lowering their prices rather than raising during October, with the sales price indicator turning negative over the month. The housing market also showed signs of slowing, with national house prices rising just 0.2% month-over-month, bringing the annual growth rate down to 5.9%. Sydney and Melbourne saw slight declines of 0.1%, while Brisbane and Perth recorded increases of 0.7% and 1.4%.

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