



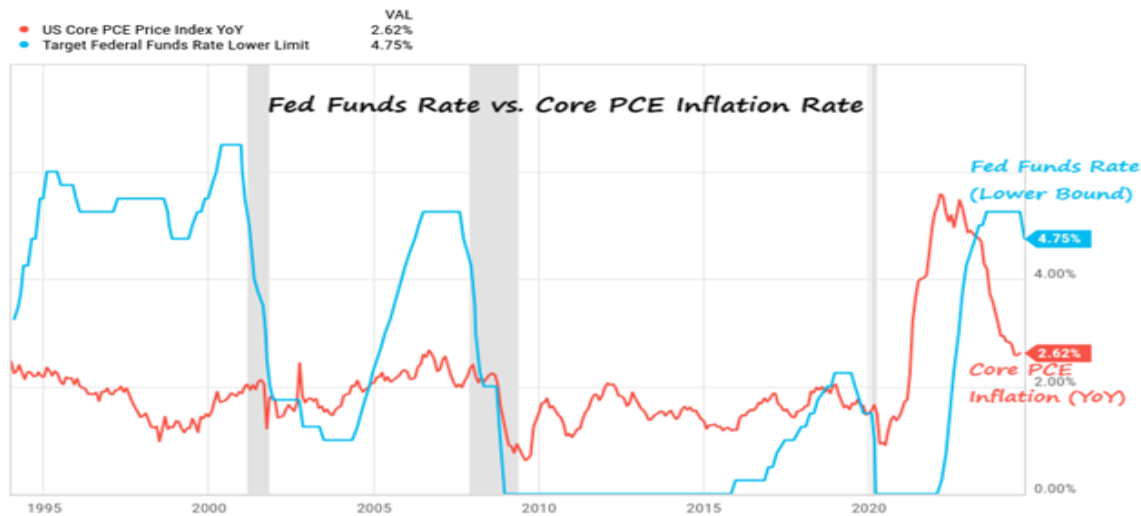
October Monthly Economic Market Wrap

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Founding Partner

Monthly Economic Market Wrap

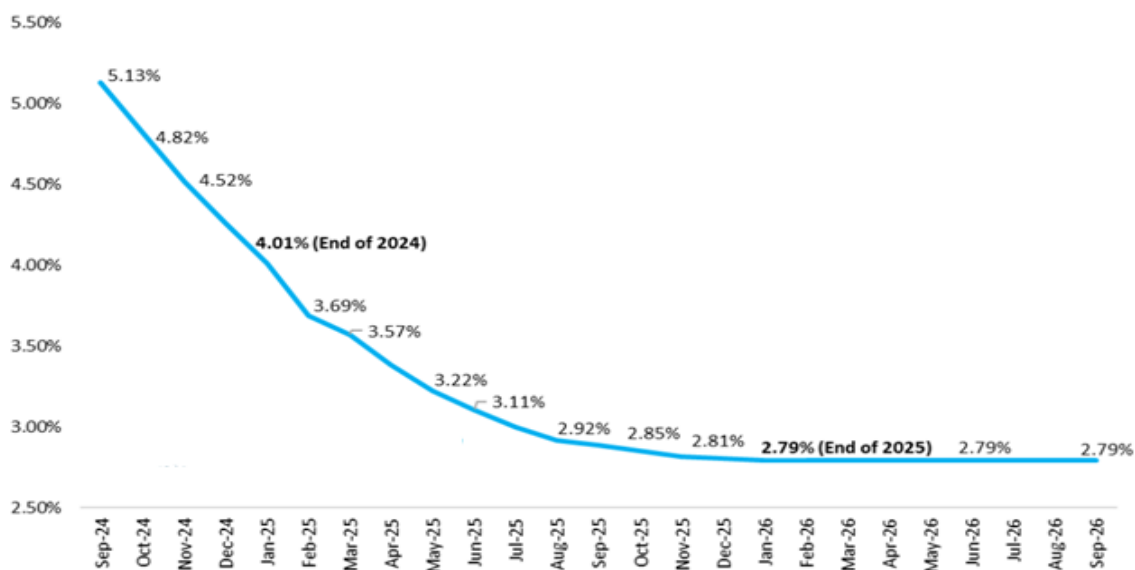
The Fed started off the easing cycle with a bang, cutting interest rates by 50 bps to a new range of 4.75-5.00%. This was the first rate cut in the US since 2020 and brings to an end the tightest monetary policy since September 2007.



Interest rates were cut during the month providing positive momentum to markets. There is still further expectation by markets of future rate cuts, but this will be effected by the outcome of the US election.

The Fed is forecasting a year-end Fed Funds Rate of 4.25-4.50% while the market is pricing in a more dovish 4.00-4.25%. In 2025, the cuts are expected to continue, with Fed Funds Rate moving down to 2.8% by the end of the year.

Market Expectations for Fed Funds Rate
(Data via Fed Funds Futures, September 2024 - September 2026)



2024 has seen a strong performance for the year.

The 20% gain in the S&P 500 is the best start to a year since 1997 and 17th best in history.

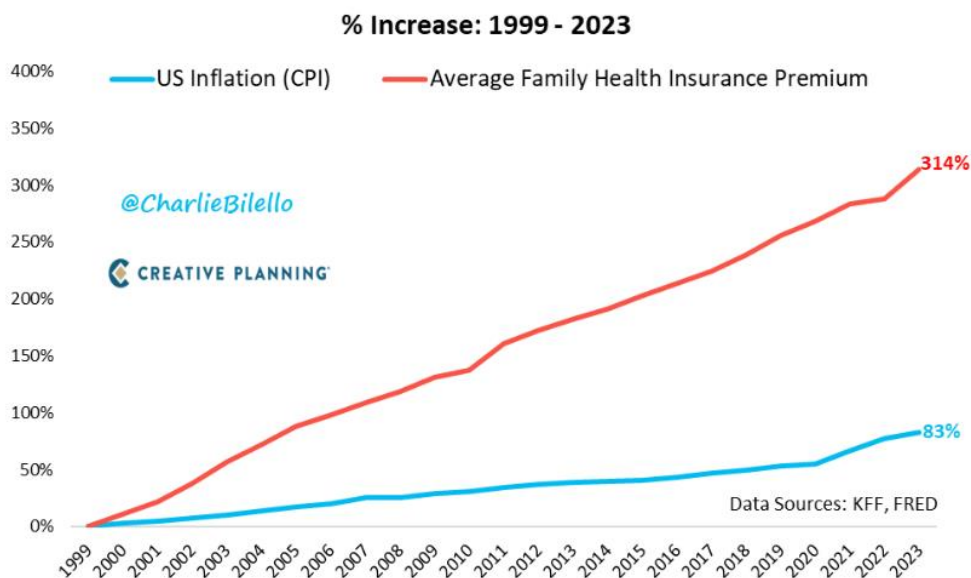
S&P 500: Best Performance through First 184 Trading Days (1928 - 2024)				
Rank	Year	Price Return: First 184 Trading Days	Price Return: Day 185 to Year- End	Price Return: Full Calendar Year
1	1933	48.7%	-3.1%	44.1%
2	1987	32.6%	-22.8%	2.3%
3	1954	29.0%	11.7%	44.1%
4	1997	28.5%	2.0%	31.1%
5	1995	26.7%	5.9%	34.1%
6	1929	26.5%	-30.4%	-11.9%
7	1955	26.2%	0.2%	26.4%
8	1989	25.0%	1.8%	27.3%
9	1975	23.9%	5.7%	30.9%
10	1943	23.8%	-3.6%	19.4%
11	1958	23.5%	11.2%	37.4%
12	1935	21.5%	16.4%	41.4%
13	1928	21.3%	13.6%	37.9%
14	1980	20.8%	3.8%	25.4%
15	1967	20.8%	-0.5%	20.1%
16	1983	20.7%	-2.9%	17.2%
17	2024	20.2%		

The inflation Numbers in the US are continuing to be impressive in their ability to bring these under control.

While overall inflation moved sharply lower in August, core CPI (excluding food/energy) ticked up to 3.3% from 3.2% in July. This is now the 40th consecutive month with core inflation above 3%, the longest stretch since the early 1990s.



The area they have a huge issue is the cost of Healthcare.



The biggest beneficiaries of this massive increase?

Health insurance companies.

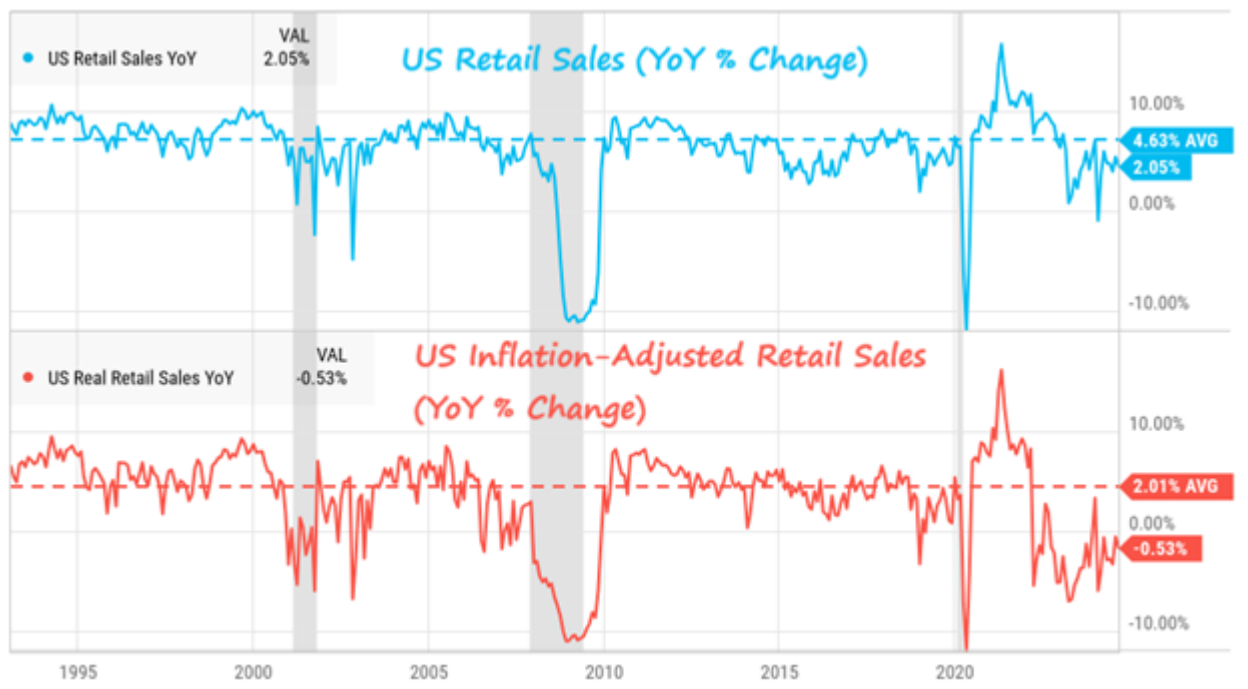
Consumer spending is slowing in the US. There is a lot of uncertainty in the lead up to the US election.

Is the Consumer Pulling Back?

The biggest driver of the US economy is the US consumer (68% of GDP). As long as the consumer is still spending, a significant economic downturn is unlikely to occur.

While spending continues, there are increasing signs of a consumer that may be pulling back, particularly at retailers.

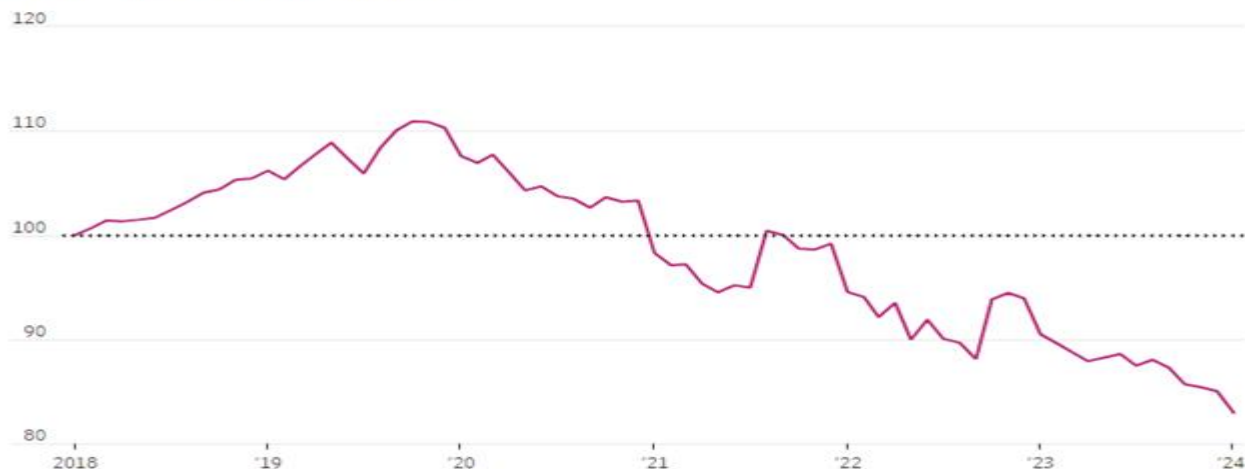
Retail sales grew 2.1% over the last year, well below the historical average of 4.6%. And if we adjust for higher prices, they actually fell 0.5% versus the typical inflation-adjusted gain of 2%.



AI is now having an effect on the tech industry for employment in areas that were previously performed by Humans.

Job postings for software developers are [down more than 30% since February 2020](#).

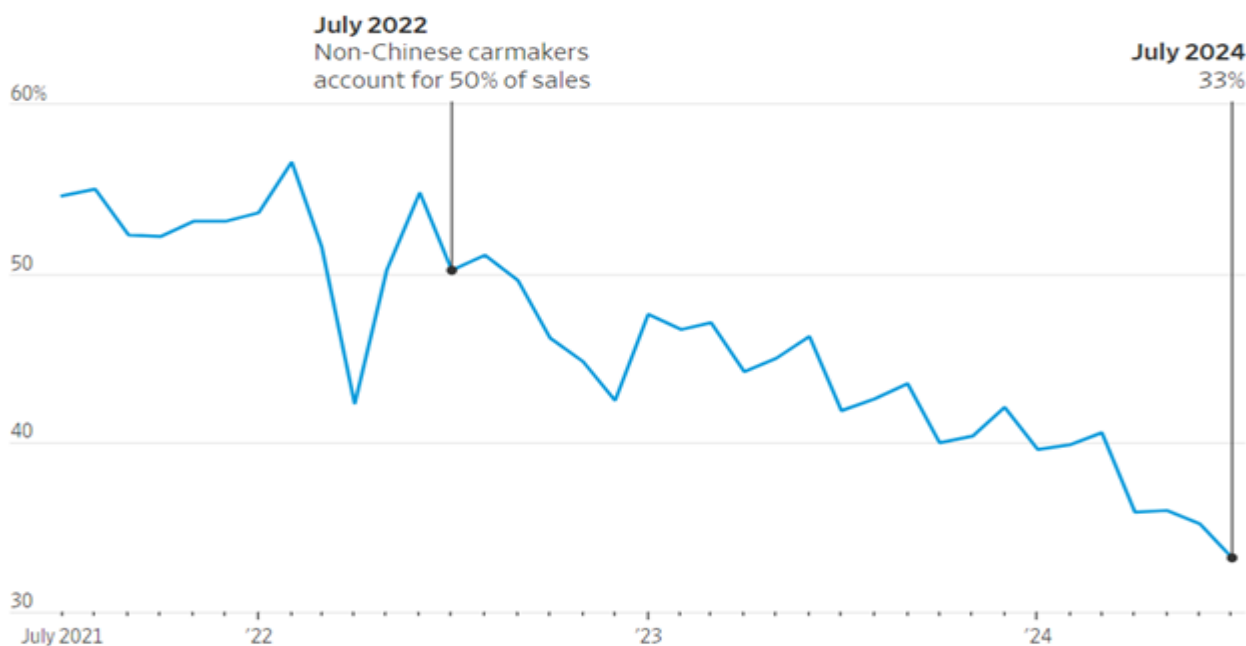
Software engineer employment index



Note: Employment tracked through job titles and O*NET occupation codes. Jan. 2018 is 100.
Source: ADP

Global automakers are struggling with falling sales in China as consumers there are increasingly embracing domestic EVs and hybrids. Non-Chinese brands [fell to a 33% share of auto sales in July](#), down from over 50% two years ago.

Non-Chinese automakers' share of Chinese auto sales

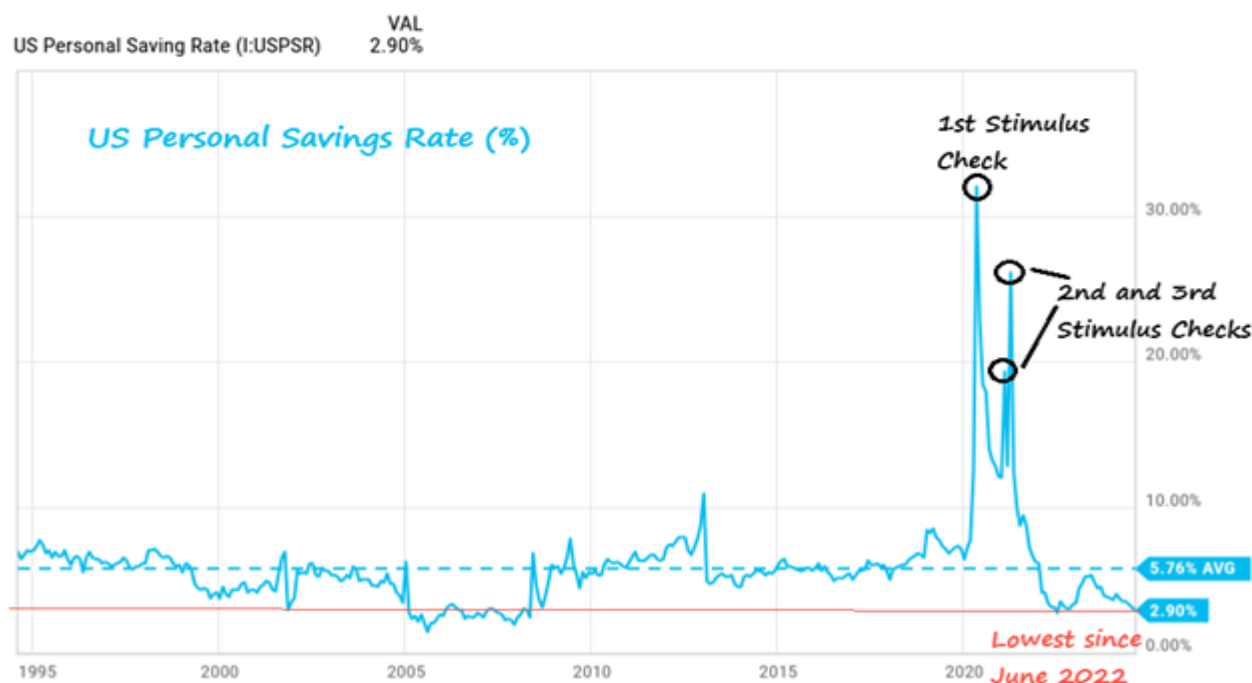


Note: Wholesale data
Source: China Passenger Car Association

As the perception of Chinese made products improve their domestic market is now starting to buy Chinese made. This is also a result of a more domestic approach in China.

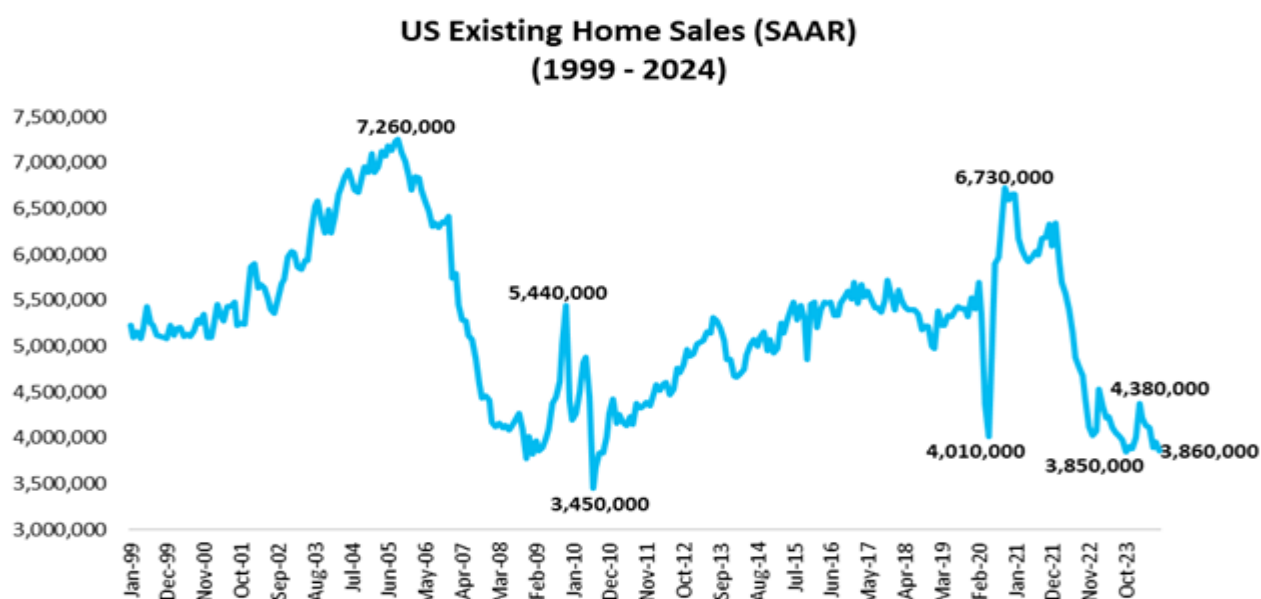
The personal savings rates of households in the US has decreased. This is due to higher cost of living and higher interest rates taking their effect to longer term savings.

While the *rate* of inflation continues to move down, the cumulative impact of higher prices seems to be taking its toll. The Personal Savings Rate in the US has moved down to 2.9%, the lowest since June 2022 (when inflation peaked at 9.1%). The average savings rate over the last 30 years is 5.8%.

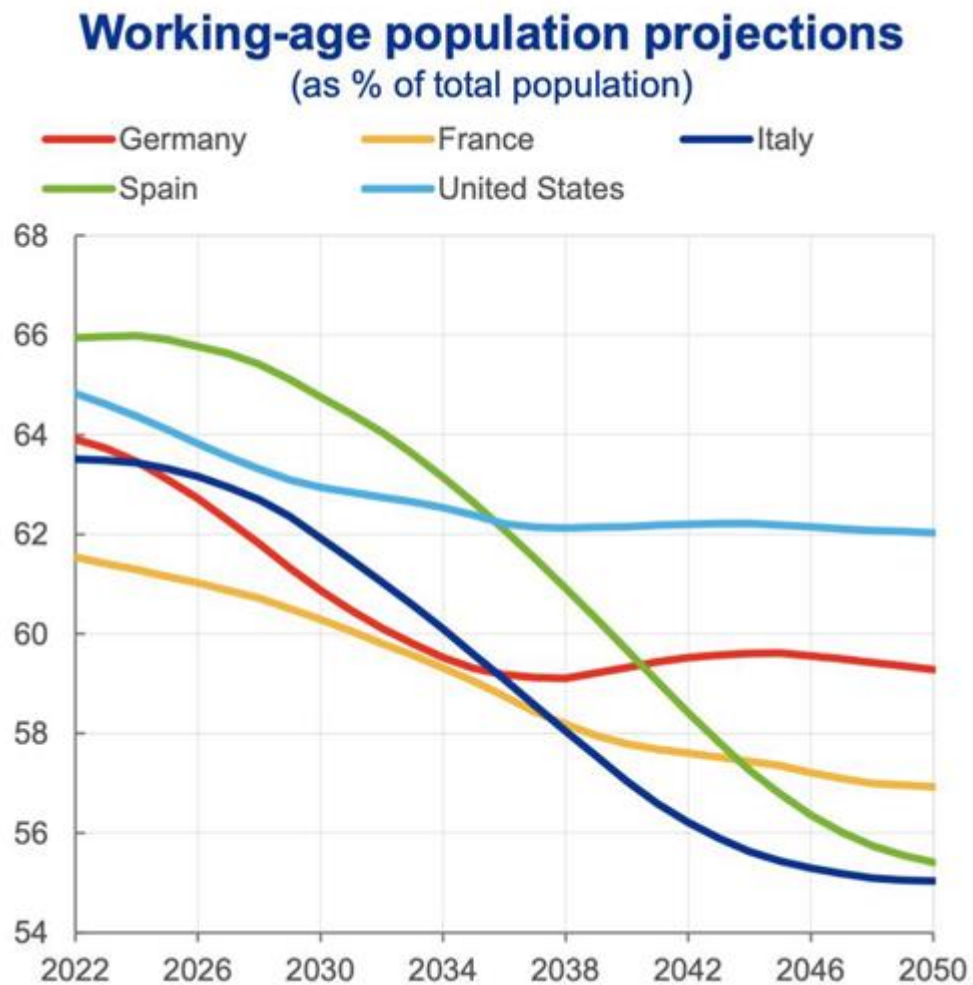


There is still a lack of home sales as people do not want to give up their current low interest rates.

The 3.86 million existing homes sold is near the lowest activity level since 2010.



Looking more broadly there are countries that have real structural issues with the number of working age people in their population. In particular, Italy, Spain & France. The US is looking ok.



c) Global Inflation Rates...

Global Inflation Rates		
Country/Region	CPI Inflation (YoY %)	Trend vs. Prior Reading
THAILAND	0.4%	Lower
CHINA	0.6%	Higher
ITALY	1.1%	Lower
SWITZERLAND	1.1%	Lower
FINLAND	1.2%	Higher
SAUDI ARABIA	1.5%	Unchanged
IRELAND	1.7%	Lower
FRANCE	1.9%	Lower
GERMANY	1.9%	Lower
PORTUGAL	1.9%	Lower
SWEDEN	1.9%	Lower
SOUTH KOREA	2.0%	Lower
INDONESIA	2.1%	Lower
UK	2.2%	Higher
EUROZONE	2.2%	Lower
SPAIN	2.2%	Lower
TAIWAN	2.4%	Lower
SINGAPORE	2.4%	Unchanged
CANADA	2.5%	Lower
US	2.5%	Lower
JAPAN	2.8%	Unchanged
NEW ZEALAND	3.3%	Lower
PHILIPPINES	3.3%	Lower
AUSTRALIA	3.5%	Lower
NETHERLANDS	3.6%	Lower
INDIA	3.7%	Higher
BRAZIL	4.2%	Lower
POLAND	4.3%	Higher
SOUTH AFRICA	4.6%	Lower
MEXICO	5.0%	Lower
RUSSIA	9.1%	Unchanged
TURKEY	52%	Lower
VENEZUELA	52%	Lower
ARGENTINA	237%	Lower

These are mostly lower and trending in the right direction.

Market performance as at 30 Sep 24

Schroders

Note all returns are in AUD not local ccy

		MTD	QTD	YTD	1 year	3 Years p.a.	5 Years p.a.	10 Years p.a.
S&P / ASX 200 Accumulation Index	<i>Australian Equities</i>	3.0%	7.8%	12.3%	21.8%	8.4%	8.4%	8.9%
S&P / ASX Small Ordinaries	<i>Australian Small Caps</i>	5.1%	6.5%	9.5%	18.8%	-0.6%	4.4%	7.0%
MSCI World Index	<i>Global Equities</i>	-0.4%	2.5%	17.3%	23.8%	11.1%	13.0%	13.3%
MSCI Emerging Markets	<i>Emerging Markets</i>	4.4%	4.8%	15.3%	17.7%	2.2%	5.6%	6.9%
A-REIT	<i>Listed Property</i>	6.6%	14.5%	26.1%	47.0%	9.1%	7.0%	10.3%
Bloomberg Barclays Global Aggregate (H)	<i>Global Bonds</i>	1.1%	4.0%	3.5%	9.1%	-1.5%	-0.4%	2.3%
Bloomberg AusBond Composite (0+Y) (H)	<i>Australian Bonds</i>	0.3%	3.0%	3.2%	7.1%	-1.2%	-0.4%	2.4%
Australia - 90 Day Bank Bills	<i>Cash</i>	4.4%	4.4%	4.3%	4.1%	0.0%	0.9%	2.7%
Australian Dollar vs US Dollar	<i>AUD vs USD</i>	2.2%	3.9%	1.7%	7.5%	-1.3%	0.6%	-2.3%
Australian Equities								
Large (ASX50)		2.8%	7.7%	12.5%	22.6%	9.7%	8.4%	8.7%
Mid (ASX51-100)		3.1%	9.5%	13.2%	18.6%	6.6%	10.7%	12.2%
ASX 200		3.0%	7.8%	12.3%	21.8%	8.4%	8.4%	8.9%
ASX Small Ords		5.1%	6.5%	9.5%	18.8%	-0.6%	4.4%	7.0%
Australian Sectors								
Consumer Discretionary		1.5%	10.4%	21.3%	28.7%	5.8%	11.0%	11.6%
Energy		0.1%	-6.2%	-8.9%	-17.2%	8.7%	1.8%	-0.2%
Health Care		-3.2%	0.3%	5.5%	19.3%	0.5%	5.7%	12.9%
Information Technology		7.4%	16.1%	48.5%	58.3%	6.7%	15.2%	15.0%
Materials		13.1%	10.8%	-2.1%	11.0%	13.1%	12.5%	12.1%
Industrials		0.6%	10.4%	11.4%	17.9%	7.7%	5.0%	9.9%
Consumer Staples		-1.7%	2.3%	4.5%	4.7%	0.2%	2.8%	6.1%
Communication Services		-0.9%	8.0%	3.8%	10.9%	4.4%	8.4%	2.7%
Utilities		2.8%	-1.2%	15.7%	13.3%	20.0%	7.6%	10.0%
Financials		0.1%	8.3%	26.3%	36.6%	11.7%	9.4%	8.6%
A-REIT		6.6%	14.5%	26.1%	47.0%	9.1%	7.0%	10.3%
Global Equity								
Global (MSCI World Index)		-0.4%	2.5%	17.3%	23.8%	11.1%	13.0%	13.3%
GEM (MSCI EM)		4.4%	4.8%	15.3%	17.7%	2.2%	5.6%	6.9%
MSCI World Index Growth		-0.3%	-0.4%	19.5%	28.2%	10.1%	15.5%	15.7%
MSCI World Index Value		-0.5%	5.6%	15.1%	19.2%	11.5%	9.6%	10.4%
MSCI World Large Cap		-0.5%	1.9%	18.2%	24.6%	12.1%	13.6%	13.7%
MSCI World Small Mid		0.0%	5.7%	11.1%	17.8%	4.9%	9.0%	11.0%
S&P 500		2.1%	5.9%	22.1%	36.4%	11.9%	16.0%	13.4%
FTSE 100		-1.5%	1.8%	9.9%	12.4%	9.1%	6.0%	6.2%
TOPIX		-1.5%	-4.9%	14.2%	16.6%	12.0%	13.4%	9.6%
MSCI AC Asia		2.9%	4.8%	16.4%	17.9%	3.1%	6.5%	8.6%
MSCI Europe		-1.8%	2.5%	11.5%	17.2%	7.8%	8.3%	8.4%
NASDAQ Composite Index		0.5%	-1.1%	19.8%	29.0%	10.3%	18.1%	18.9%

Welcome to the Australian Bureau of Statistics

Population

27,122,411

31 March 2024

Consumer price index

3.8%

Annual change Jun 2024 quarter

Gross domestic product

0.2%

Quarterly change, Jun 2024

Average weekly earnings

\$1,923.40

May 2024

Unemployment rate

4.2%

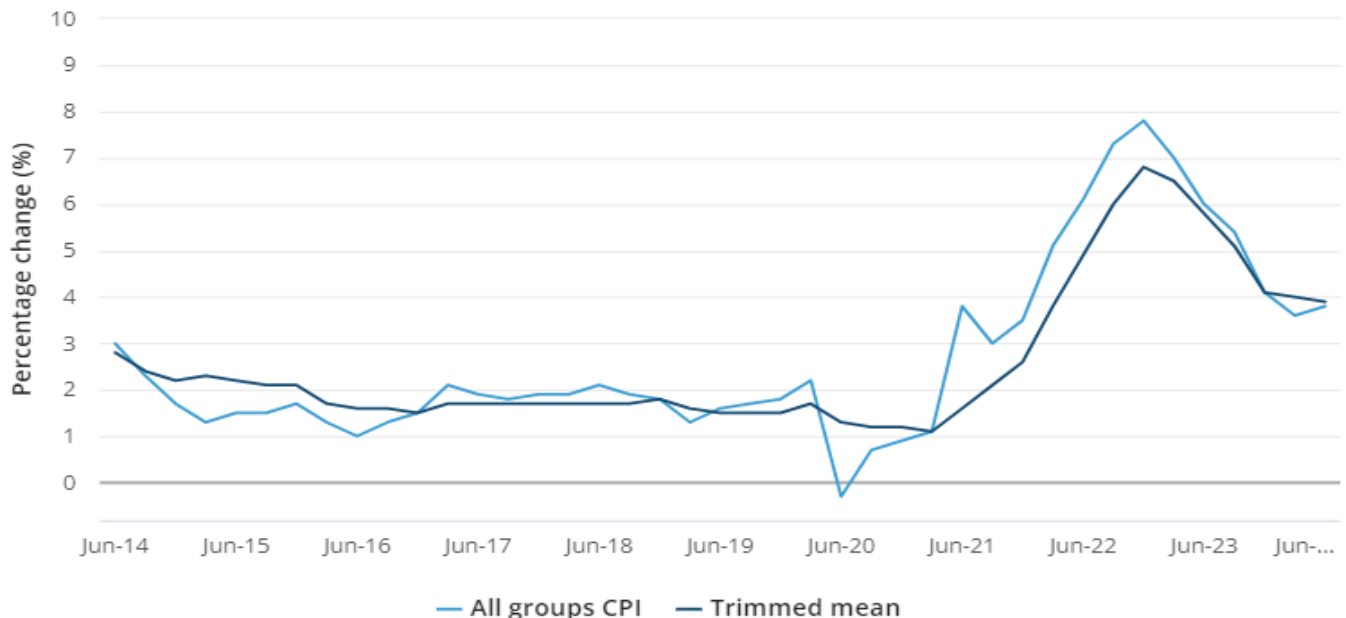
August 2024

Annual CPI inflation increases

Annual CPI inflation increased to 3.8 per cent in the June quarter, up from 3.6 per cent in the March quarter. This is the first increase in annual CPI inflation since the December 2022 quarter.

The Trimmed mean provides a view of underlying inflation by reducing the effect of irregular or temporary price changes that can impact the CPI. Trimmed mean annual inflation fell slightly to 3.9 per cent, down from 4.0 per cent in the March quarter. This is the sixth quarter in a row of lower annual trimmed mean inflation, down from the peak of 6.8 per cent in the December 2022 quarter.

All groups CPI and Trimmed mean, Australia, annual movement (%)

[Graph](#)
[Table](#)
[Download](#)


The RBA wants to see this continue to fall ideally before they drop interest rates.

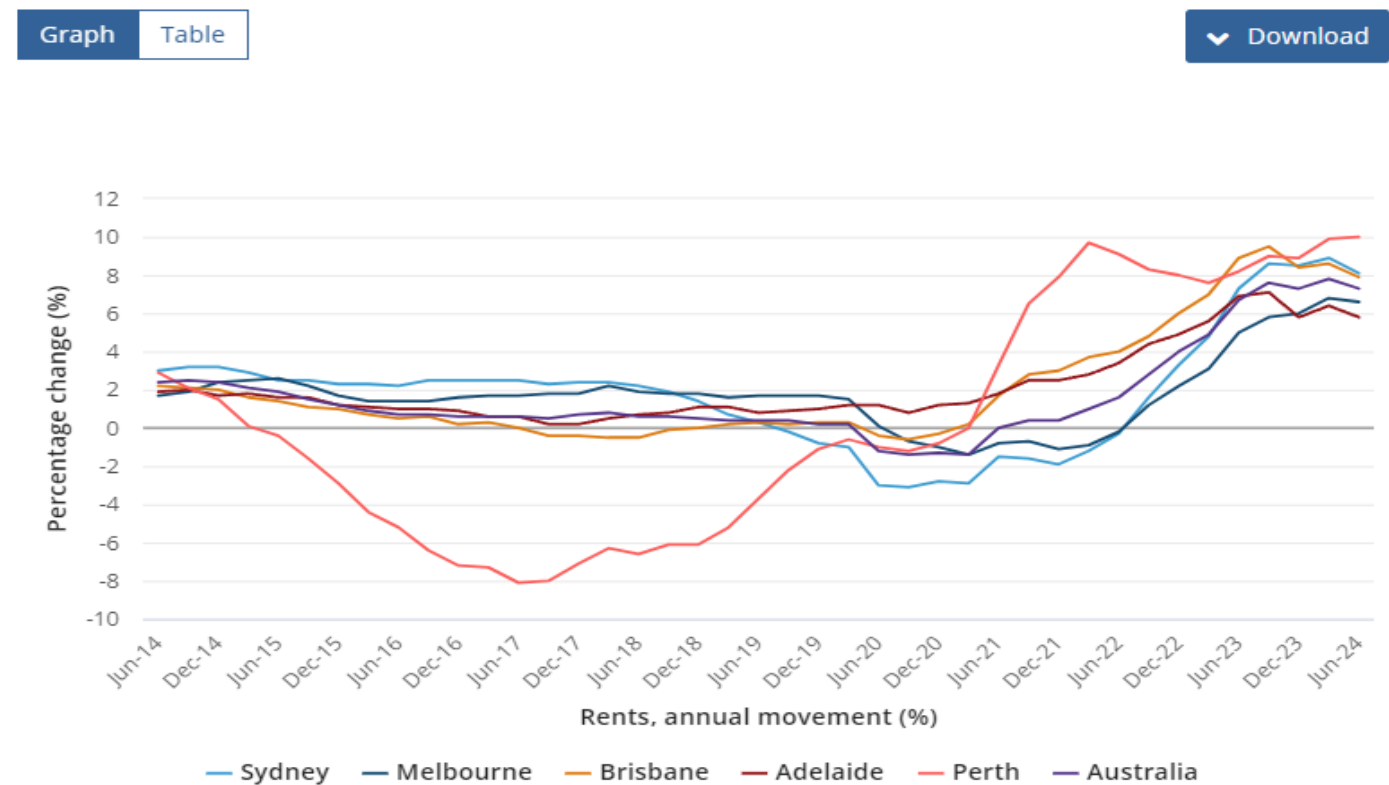
The price of rentals still remains high but it has softened a little.

Rental price growth remains high due to tight rental markets

Rental prices rose 7.3 per cent over the 12 months to the June quarter, down from a 7.8 per cent in the March quarter. Rental price growth continues to reflect low vacancy rates and a tight rental market.

The rate of growth in rental prices was moderated by changes to Commonwealth Rent Assistance (CRA), with rent assistance rates updated by CPI indexation on 20 March and 20 September each year. In addition to the usual updates, the maximum rate available for CRA was increased by 15 per cent in September last year. Increases to the CRA reduce the amount of rent payable by eligible recipients. Excluding these changes to CRA, rents would have increased by 9.1 per cent over the 12 months to the June 2024 quarter.

Rents, annual movement (%)



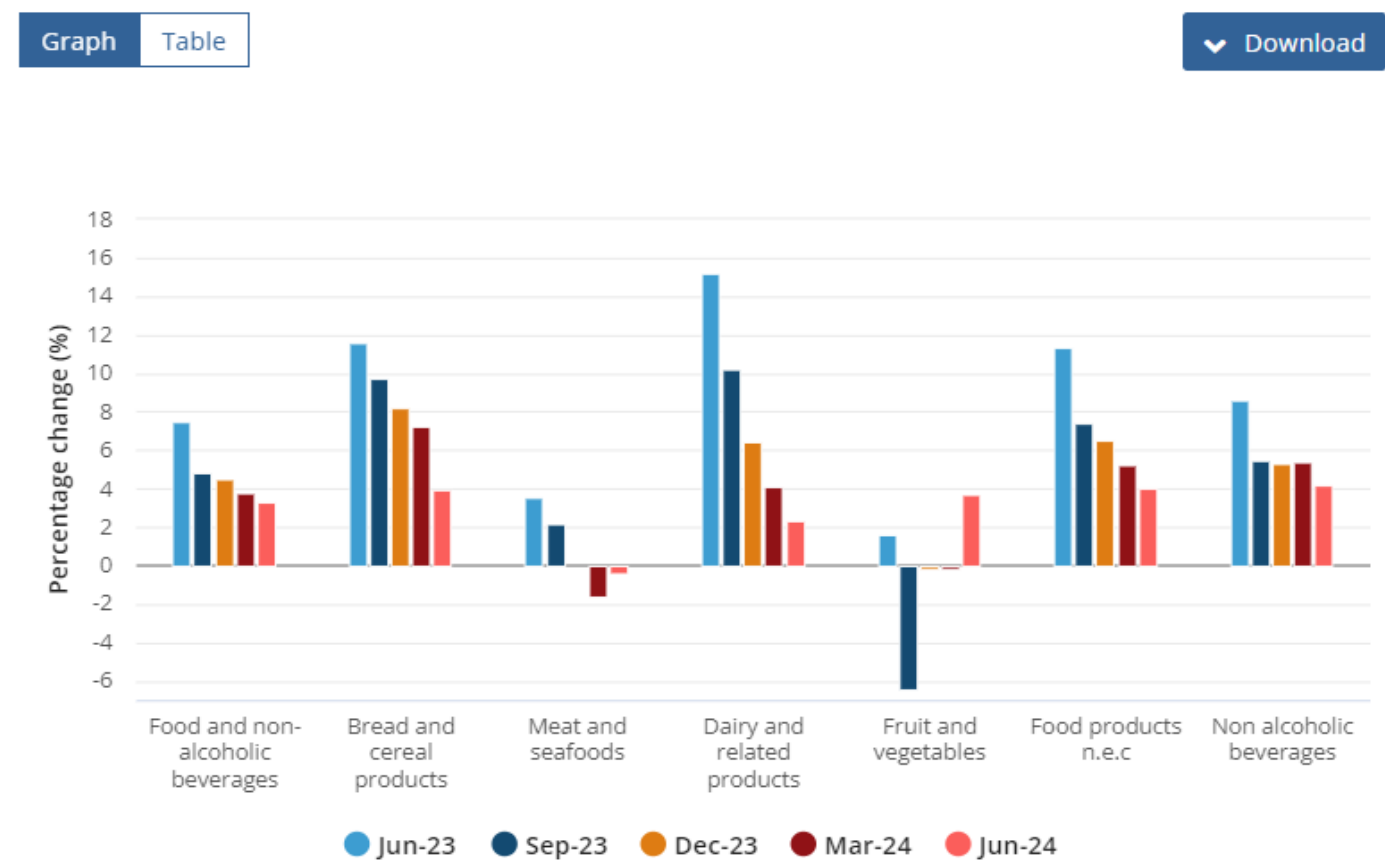
The rate of Increase in food costs has eased for the sixth quarter in a row. It is still increasing though.

Annual food inflation eases for the sixth quarter in a row

Annual food inflation eased to 3.3 per cent in the June quarter, down from 3.8 per cent in March quarter and the peak of 9.2 per cent in December 2022. Price rises were lower across most food categories, except for fruit and vegetable prices, which were 3.7 per cent higher compared to 12 months ago. Unfavourable growing conditions drove higher prices for grapes, strawberries, blueberries, tomatoes and capsicums.

Meat and seafood prices fell 0.4 per cent in annual terms. Compared to 12 months ago, prices were lower for lamb, down by 10.9 per cent and beef, down by 3.6 per cent, while prices were higher for seafood, up by 5.6 per cent and pork, up by 4.7 per cent.

Grocery products, annual movement (%)



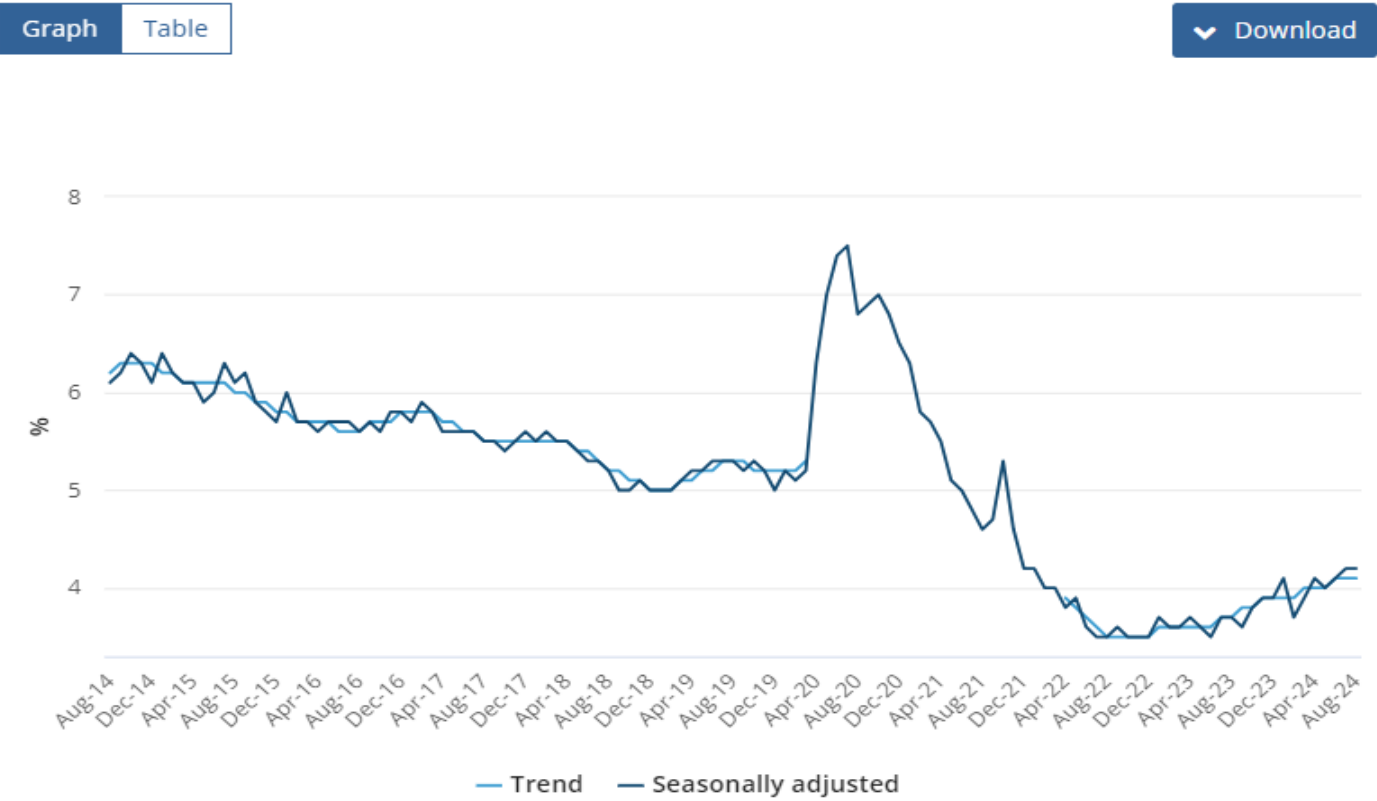
The unemployment rate is holding steady.

Unemployment

In trend terms, in August 2024:

- unemployment rate remained at 4.1%.
- unemployed people increased by 5,000 to 625,200.
- youth unemployment rate remained at 9.8%.

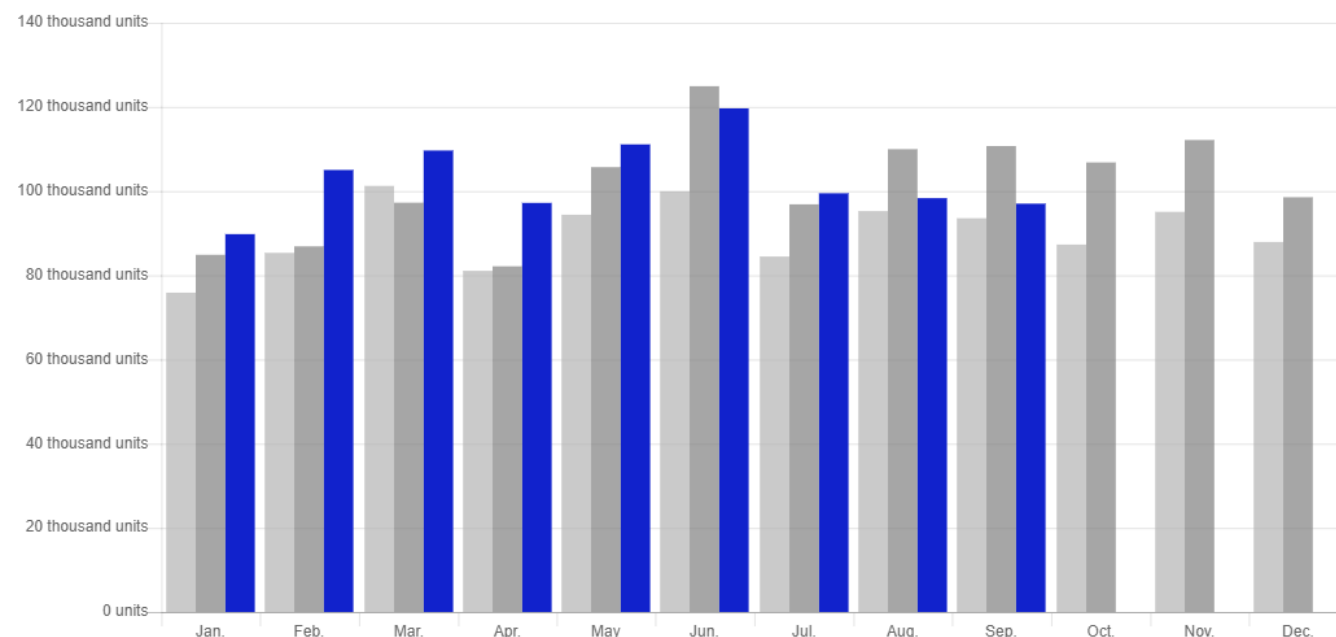
Unemployment rate



Car sales in Australia have fallen 22% YOY.

Heavy commercial vehicles have increase so this could be a green shoot to the economy.

Australia - Automotive Sales volume, 2024



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2022 2023 2024

New vehicle sales by type

Type	Sep. 2024	Sep. 2023	Y-o-Y	Jan.-Sep. 2024	Jan.-Sep. 2023	Y-o-Y
Passenger Cars	14,488	18,611	-22.2%	160,231	159,030	0.8%
SUV	56,440	64,052	-11.9%	520,925	505,581	3.0%
Commercial Vehicles	21,568	23,793	-9.4%	207,808	196,093	6.0%
Heavy Commercial Vehicles	4,524	4,246	6.5%	38,282	38,582	-0.8%
Total	97,020	110,702	-12.4%	927,246	899,286	3.1%

Australian new vehicle sales decrease 10.6% in August

On September 4, the Federal Chamber of Automotive Industries announced that new vehicle registrations of 98,328 units in August 2024 represented an decrease 10.6% over the last August.

New vehicle sales of 830,226 units in the first eight months of the year represented an 5.3% increase YoY.

Passenger car sales of 15,166 units in August represented an 21.6% decrease YoY, SUV sales of 56,541 units represented a 9.3% decrease, LCV sales of 22,496 units represented a 6.4% decrease and MHCV sales of 4,125 units represented a 3.8% decrease. The sales of hybrid vehicles(HV) are up 44.9 % and plug in hybrid vehicles(PHV) are up 119.8 % from the same month last year.

Among the companies, Toyota sales decreased 3.7% YoY to 21,490 units, Ford sales increased 12.6% to 8,890 units, Mazda sales decreased 2.3% to 8,263 units, Kia sales increased 6.0% to 6,903 units and Hyundai sales decreased 4.6% to 6,211 units.

The best-selling cars in August 2024, in order of popularity, were Toyota RAV4, Ford Ranger and Toyota HiLux.

The cost of shipping is slowly reducing.

This is a huge issue around the world as this cost is passed onto everyone for everything.

Transportation & Logistics > Water Transport

PREMIUM

Global container freight rate index from the 12th January 2023 to the 15th August 2024

(in U.S. dollars per 40-foot container)

