MONTHLY MARKET UPDATE

June 2024

How the different asset classes have fared:

(As of 30 June 2024)

Asset Class	10 Yr % p.a.	5 Yr % p.a.	3 Yr % p.a.	1 Yr % p.a.	YTD %	6 Mth %	3 Mth %	1 Mth %
Cash[1]	1.86	1.64	2.44	4.37	2.18	2.18	1.08	0.35
Australian Bonds[2]	1.98	-0.80	-2.24	3.43	0.04	0.04	-0.93	0.76
International Bonds[3]		-1.32	-3.72	2.07	-1.07	-1.07	-0.44	0.71
Australian Shares[4]	8.32	7.63	6.12	12.51	4.22	4.22	-1.16	0.70
Int. Shares Unhedged[5]	13.21	13.06	11.25	19.90	14.35	14.35	0.33	1.56
Int. Shares Hedged[6]	10.24	11.08	7.11	20.23	13.31	13.31	3.00	2.22
Emerging Markets Unhedged[7]	5.85	3.44	-2.01	11.07	9.05	9.05	2.60	3.39
Listed Infrastructure Unhedged[8]	8.33	3.62	5.88	2.39	3.37	3.37	-1.81	-3.12
Australian Listed Property[9]	9.13	4.64	5.71	23.79	9.59	9.59	-5.66	0.23
Int. Listed Property Unhedged[10]	6.02	0.83	0.18	3.41	-1.33	-1.33	-3.95	0.55
Gold Bullion Unhedged[11]	5.89	10.49	9.81	22.28	12.86	12.86	5.46	-0.65
Oil Unhedged[12]	-10.69	-0.01	16.17	28.80	19.79	19.79	1.28	6.83

1 S&P/ASX Bank Bill TR AUD, 2 Vanguard Australian Fixed Interest Index, 3 Vanguard Global Aggregate Bd Hdg ETF, 4 S&P/ASX All Ordinaries TR, 5 Vanguard International Shares Index, 6 Vanguard Intl Shares Index Hdg AUD TR, 7 Vanguard Emerging Markets Shares Index, 8 FTSE Developed Core Infrastructure 50/50 NR AUD, 9 S&P/ASX 300 AREIT TR, 10 FTSE EPRA/NAREIT Global REITs NR AUD, 11 LMBA Gold Price AM USD, 12 S&P GSCI Crude Oil TR

Source: Centrepoint Research Team, Morningstar Direct

Key Themes:

- **Equity markets rose in June:** Both international and Australian equity markets posted positive performance, with international markets continuing to be propelled by Tech and NVIDIA.
- **Fixed Income continues to rise:** Both international and Australian bond prices continued to rise, and yields fell following positive data in the US.
- **Australian Dollar marginally appreciated:** The Australian Dollar ended the month higher against a weakening US Dollar.
- **Commodities ended mixed:** Oil rose significantly while gold floundered.

International Equities:

The story for International Equities in June was much the same as in April, with unhedged equities growing by 1.56% and hedged equities growing by 2.22%. Hedged equities outperformed unhedged due to indicators of slowing inflation in the US and the potential for rate cuts in the latter half of the year, which lowered demand for the US Dollar. Globally, Technology continued to be the strongest market sector, gaining 8.72% over the month. This was followed by Communication Services at 3.99% and then Consumer Discretionary at 2.22%. Technology grew rapidly by 11.35% during the first half of the month as NVIDIA became the largest company in the world before investors decided to sell off and lock in some of their gains from the first half of the year.

Five of the global market sectors retreated in June, with Utilities, Materials, and Energy leading the fall, with these sectors declining by 5.19%, 3.96%, and 2.12% respectively. The Utilities sector was almost a reverse of the Technology sector, falling during the first half of the month and then rebounding slightly before falling once more. This could be due to investors leaving technology stocks and moving towards more defensive and less volatile stocks.

Australian Equities

In June, the Australian Equities market returned 0.70%, which was just slightly slower than May's 0.87%. The Australian market was looking to finish the month up closer to a 2% return, but a CPI report of 4% in the 12 months to May surprised the market and caused a retreat in the last few days of the month. There was no standout sector in terms of significant growth; the three best-performing sectors were Consumer Staples at 4.0%, Healthcare at 3.8%, and Financials at 3.5%, which were all quite close together in terms of returns. These sectors were closely followed by Consumer Discretionary and Communications at 3.3% and 3.1% respectively.

The standout sector in June was Materials, which fell by a drastic 8.7%. The Materials sector was hit by significant reductions in the price of key commodities such as copper, iron ore, and steel, which in turn led to falling prices for some of the sector's largest companies, i.e. Rio Tinto, Fortescue, and BHP. Other than Materials, three other sectors retracted in June: Real Estate (2.80%), Energy (2.10%), and Industrials (1.20%).

Domestic and International Fixed Income

Australian bonds grew by 0.76% in June. Domestic fixed income in June was a very similar story to May; bonds rallied in the first half of the month, with growth peaking at 1.66% as economic data led investors to believe that inflation was coming under control. This hope was dashed following the release of a report that announced CPI had grown 4% in the 12 months to May. This led yields to leap in the last few days of the month, bringing bond prices back down from their peak. Following this CPI report, markets are predicting a 50% chance of the Reserve Bank of Australia raising interest rates by September, so fixed income may continue to be rocky until inflation proves to be less persistent.

Global bonds grew by just slightly less than Australian bonds, at 0.71%. Similarly to May, the growth in global bond prices was driven by positive US data reports hinting at inflation slowly coming under control. Data such as the US unemployment rate increasing to 4% in May, the highest level since January 2022, and the labour force participation rate falling from 62.7% to 62.5% will be critical in the Federal Reserve's decision to cut or maintain rates. Adding to this was the year-on-year inflation rate in May falling to 3.3%, the second straight month of easing inflation. All these data points led to a reduction in yields on bonds and the resulting increase in their price.

Australian Dollar

The Australian Dollar continued to appreciate relative to the US Dollar in June, but at a slower rate of 0.42%. This appreciation can be somewhat attributed to Australia and the US's respective progress in their battles with inflation. With Australia's latest CPI report surprising to the upside and the recent US PCE index remaining flat for May, investors are expecting interest rates in Australia to remain higher for longer, providing a better return than US rates. This expectation of a higher return leads to greater demand for the AUD and increases its value relative to the USD.

Commodities – Gold and Oil

The price of oil grew by 6.83% in June. This growth was underpinned by several factors, including supply cut extensions by OPEC, expectations of future rate cuts by the Federal Reserve, and continued tensions in the Middle East.

Gold prices retreated in June by 0.65% as inflation continued to slow in the US, EU, and UK, leading to less demand for gold as a hedge against inflation.

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