

RESEARCH UPDATE

MARKET watch

JANUARY 2025



Global equity markets were mixed in December, responding to the final Central Banks monetary policy meetings of the calendar year. The S&P 500 Index fell -2.5%, whilst the Nasdaq Composite Index rose 0.5% over the month as the US Federal Reserve cut its interest rates by 0.25%, as expected. However, the Federal Reserve's slower-than-expected forecast of only two rate cuts in 2025 spooked investors. The Hang Seng Index rose 3.3%, with the People's Bank of China pledging to loosen monetary policy in 2025. The S&P/ASX 200 underperformed other international indices, falling -3.6% over the month.

S&P/ASX 200 Sector Performance

Consumer Staples was the best-performing sector in December, returning 0.5%. Gains were led by Bega Cheese Limited at 9.3%, continuing momentum throughout the year and recording a 63.0% increase for the year. Metcash Limited was the next best performer, up 2.5% following its half-year results. Metcash Limited's group revenue rose 6.3% to \$9.6 billion, whilst its statutory profit after tax rose 0.6% to \$141.8 million. The company also distributed a fully franked interim dividend of 8.5 cents per share. Energy was the only other positive sector over the month, rising by 0.3%. Beach Energy Limited led the sector, rising 13.4% on a higher crude oil price and a positive broker note from Ord Minnett. The crude oil price rallied over December following an extension

of production cuts by the Organization of the Petroleum Exporting Countries Plus (OPEC+) and expectations of further Chinese stimulus. Coal producers New Hope Corporation Limited and Yancoal Australia Limited also performed strongly, returning 5.5% and 5.2% respectively.

The weakest sector was Real Estate, which fell -6.9%. HMC Capital Limited lost -20.0% following the establishment of its DigiCo Infrastructure Real Estate Investment Trust (REIT), which owns a portfolio of data centre properties. DigiCo Infrastructure REIT has traded below its initial public offering price of \$5 per share since listing. Lendlease Group and Mirvac Group fell -13.0% and -11.1% respectively, also dragging on the sector.

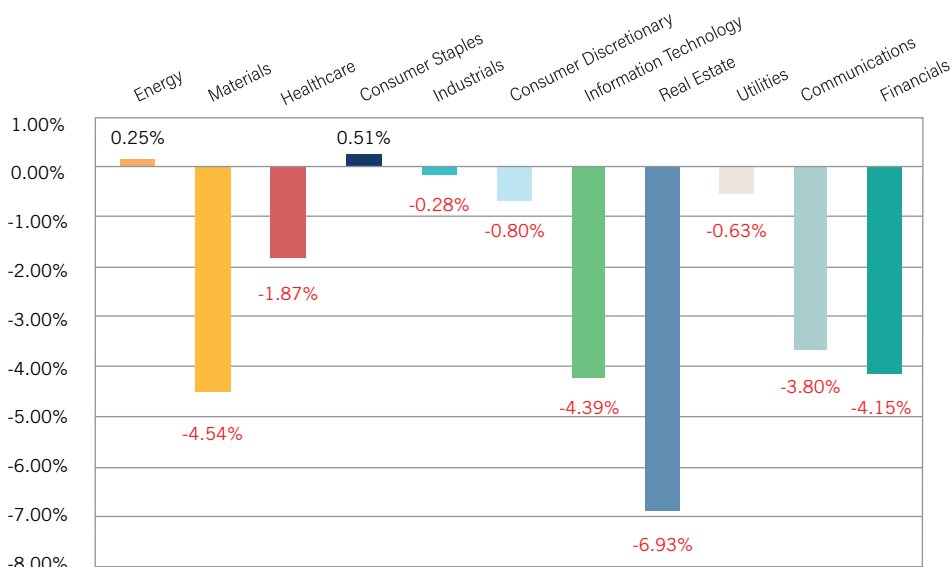
The Materials sector retreated -4.5% in

December, driven by falls in commodity prices due to a stronger US dollar. Alcoa Corporation led declines, down -16.2%, with alumina supply expected to move into a surplus in 2025 with new supply from Indonesia and India. Gold producers Northern Star Resources Limited fell -11.8% after announcing a deal to acquire fellow gold miner, De Grey Mining Limited, in a scrip for scrip transaction. Correspondingly, De Grey Mining Limited shares jumped 16.1%. Other major movements include BlueScope Steel Limited (-15.5%), James Hardie Industries

Plc (-10.9%) and Sandfire Resources Limited (-10.5%).

The Information Technology sector fell -4.4% over the month, affected by the Federal Reserve's more hawkish rate cut forecasts, with losses led by Life360 Inc (-10.9%), SiteMinder Limited (-8.6%) and NextDC Limited (-7.4%), despite no major news being released by any of the companies. Netwealth Group Limited declined -6.6%, despite reaching \$100 billion in funds under administration on its 25th anniversary.

Graph 1: S&P/ASX 200 Sector Performance



Data Source: Desktop Broker, 1 January 2025.

Highlights

Australia: The Australian Bureau of Statistics (ABS) published the Australian National Accounts: Finance and Wealth statistics for the September quarter. Household wealth grew 2.4% for the quarter, and has now grown for eight consecutive quarters. Total household wealth was \$16.9 trillion, a 9.9% increase from September quarter 2023, driven by residential land and dwelling

prices. Household deposits increased by 3.7% over the quarter, driven by households with higher gross disposable income due to the introduction of stage 3 tax cuts.

The Australian government proposed a new tax plan targeted at large technology platforms, including Facebook, Google and TikTok. The tax will apply to the technology platforms' Australian

revenue and will be used to fund Australian media. The tax can be offset if the tech platforms establish pay agreements with Australian media companies to host Australian journalism.

US: The Federal Trade Commission (FTC) announced a 'junk fees rule', which will help eliminate unfair and hidden fees in the live-event and short-term stay industries. Companies will be required to disclose the total price upfront, removing hidden fees such as resort, service and cleaning fees. The rule is estimated to save 53 million hours per year of wasted time per year.

Google announced its development of a new quantum chip named Willow, which has broken through long-standing challenges in quantum computing. Firstly, Willow reduces errors exponentially as it scales up, resolving error correction issues, which have limited quantum computing for nearly 30 years. Willow was also able to solve in 5 minutes a computation that would take today's supercomputers 10 septillion years.

UK: The Office of National Statistics' revised estimate of UK real gross domestic product (GDP) for the September quarter has come in flat, down from a first estimate of growth of 0.1%. The construction sector rose 0.7% but was offset by a 0.4% decrease in production, whilst the services sector remained flat.

France: The French government collapsed following a vote of no confidence, the first in over sixty years. The no-confidence vote was triggered by the proposed 2025 budget, ending the Barnier government after only three months in charge. The French government has been in

turmoil since a snap general election called by President Emmanuel Macron in June resulted in a hung parliament.

Germany: Elon Musk caused controversy in Germany after endorsing far-right party Alternative for Germany (AfD). Following a post on his social media platform X, Musk also wrote an opinion piece for major newspaper *Welt am Sonntag* reaffirming his support for the AfD.

Japan: Japanese automakers Nissan and Honda have proposed to merge, with both companies struggling to compete amidst strong electric vehicle competition.

China: China banned the export of gallium and germanium to the US in response to the US curbing exports of chip components to 140 Chinese companies.

South Korea: South Korean President Yoon Suk Yeol has been impeached after declaring martial law earlier in the month. His replacement as acting president and then prime minister, Han Duck-soo, was also impeached after refusing to appoint three vacant justice's seats at the Constitutional Court.

Syria: Syrian rebel forces have captured Damascus and ousted President Bashar al-Assad, who fled to Moscow. This marks the end of a 13-year civil war and a more than 50-year rule by the Assad family.

What to watch out for

President-elect Donald Trump will be inaugurated as the 47th President of the United States on 20th January 2025. JD Vance will be inaugurated as the 50th Vice President of the United States.

Conclusion



Markets were mixed in December, with returning uncertainty of the global economic outlook. Geopolitical tensions across the world remain elevated but have so far had little impact on markets.

During periods of uncertainty, clients should:

- Stick to the plan and focus on your long-term goals. Our investment approach is focused on the long term and designed so that your portfolio can ride out any downturns – including this one. Staying the course, despite how uncomfortable it may feel right now, will prove to be the better option when looking back five years from now.

Investors who stayed on the course while equity markets declined in the depths of the COVID-19 pandemic in early 2020 have benefitted from one of the fastest market turnarounds with equity markets. Investors who sold equities during the downturn and waited until economies started to show recovery before buying back into the market missed a large part of the recovery.

- Maintain a buffer of safety. Holding a buffer of cash and term deposits has been a key strategy to provide a cushion against market downturns and to protect capital.
- Take advantage of the weakness. Market downturns provide buying opportunities to invest in long-term, quality investments.
- Focus on quality investments. Invest in companies that generate stable cash flows to support distributions, which are not connected to the movements in asset prices, and partner with fund managers who share the same investment philosophy and objectives.
- Diversify across asset classes, industries, sectors and geographies.

- Regularly rebalance the portfolio back to your risk profile to ensure that the portfolio is not exposed to unwanted risks and to also lock in profits.
- Remain calm, and speak to your Apt adviser. It is important that you speak to your Apt adviser before making any financial moves. Your adviser understands your long- and short-term goals and will have been planning for these types of scenarios already, so they are best placed to explain any impact and discuss the best options and opportunities for you personally.

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