

Global equity markets mostly retreated in October, with renewed uncertainty surrounding the economic global outlook. The S&P 500 Index and the Nasdaq Composite Index fell -1.0% and -0.5% respectively ahead of the US Presidential Election and as higher-than-expected inflation numbers and recent labour data pushed back expectations of near-term rate cuts. Eight of the 11 US sectors were lower, with falls led by the Health Care and Real Estate sectors. The Hang Seng Index lost -3.9% despite further economic stimulus, including \$112 billion in government funding schemes to support its capital markets. Investors are awaiting further stimulus, with current levels seen as insufficient to support China's economy. The S&P/ASX 200 fell -1.3% over the month despite reaching a record high intra-month.

## S&P/ASX 200 Sector Performance

Financials was the best-performing sector over October, advancing 3.3%. Gains were led by financial services companies Insignia Financial Limited and HUB24 Limited, up 25.9% and 18.4% respectively. Insignia Financial Limited rallied following its quarterly update. For the first quarter of Financial Year 2025, the company's funds under management and administration increased by \$8.3 billion to \$319.6 billion. Similarly, HUB24 Limited recorded \$4 billion of inflows for the quarter. Total funds under administration reached \$113 billion, 37% higher compared to the same period last year.

Healthcare and Communications edged higher, up 0.9% and 0.8% respectively. Sigma Healthcare Limited led the Healthcare sector, jumping 36.1% as it looks to push through the takeover with Chemist

Warehouse Group Holdings. Sigma Healthcare Limited has offered a court-enforceable undertaking to remedy the Australian Competition and Consumer Commission's concerns about anti-competition if the takeover is approved. REA Group Limited led the Communications sector, up 12.9% despite withdrawing its takeover offer for Rightmove Plc, a UK online real estate portal company.

Utilities dragged on the index, falling -7.2% in October. AGL Energy Limited and APA Group Limited lost -11.4% and -10.2% respectively. AGL Energy Limited started the month strong after entering into a new supply agreement with a smelter in Portland, but retreated after being downgraded by broker Barrenjoey. APA Group Limited fell after its largest shareholder, UniSuper, sold approximately \$500

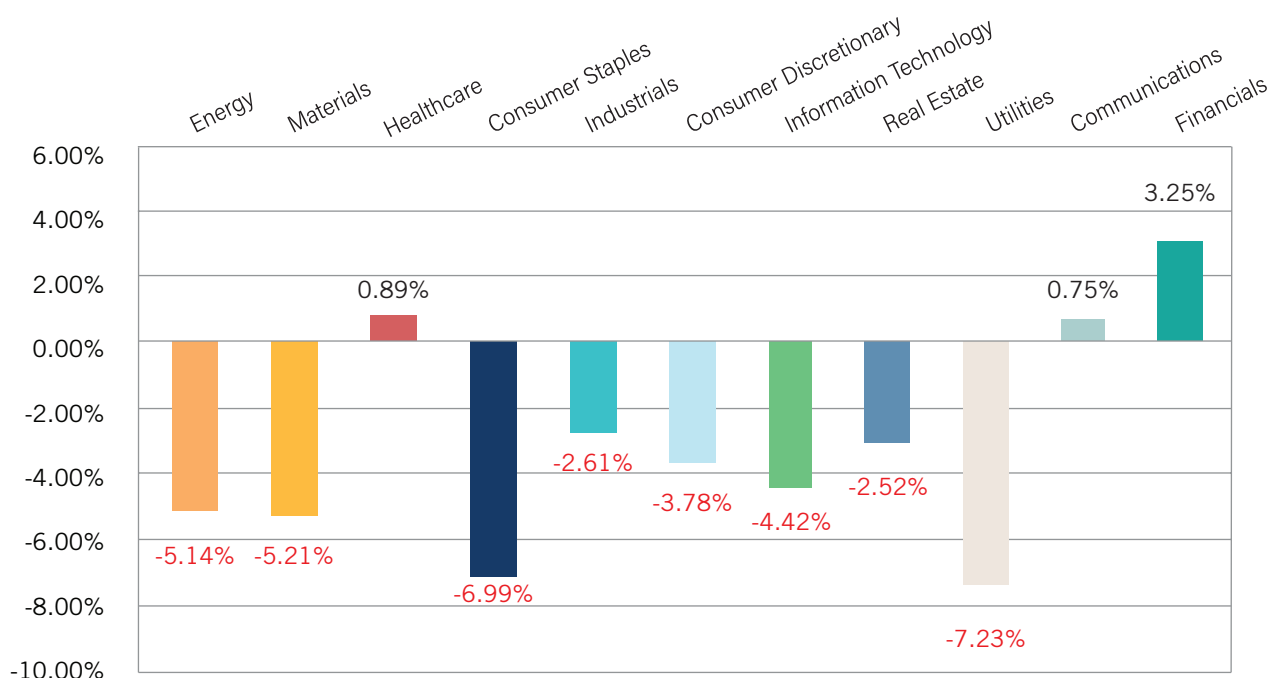
million worth of shares.

Consumer Staples was another laggard, down -7.0%. Supermarket companies Metcash Limited and Woolworths Group Limited led losses, down -14.5 and -10.0% respectively. Metcash Limited's first-half trading update revealed a 6.3% increase in sales compared to the prior corresponding period, with strong growth in food and liquor. However, the company noted weaker trading conditions for its hardware division but would be initiating cost management initiatives. Woolworths Group Limited also reported an increase in sales, up 4.5% in the first quarter on the prior corresponding period. However,

it noted current challenging operating conditions due to the cost-of-living crisis and higher input and wage costs, which are expected to remain throughout the full financial year.

The Energy and Materials sectors retreated -5.1% and -5.2% respectively as commodity prices fell on revised demand expectations as optimism arising from Chinese stimulus faded. Gold miners were the exception, rallying in October as gold prices reached new record highs. Regis Resources Limited and Bellevue Gold Limited led their peers, gaining 32.8% and 23.1% respectively.

**Graph 1: S&P/ASX 200 Sector Performance**



**Data Source:** Desktop Broker, 1 November 2024.

## Highlights

**Australia:** The Australian Bureau of Statistics published the latest Consumer Price Index, updated for the September quarter. The annual inflation rate fell to 2.8%, down from 3.8% at the end of the June

quarter and the lowest level in more than three years. The Commonwealth Energy Bill Relief Fund rebates were a major driver of the fall in inflation, reducing the cost of electricity for households. Falls in

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automotive fuel prices was another main contributor towards deflation. Trimmed mean annual inflation, which excludes irregular or temporary price changes, was 3.5%, down from 4.0%. However, it remains above the Reserve Bank of Australia's targeted inflation range of 2 - 3%.

The Australian total fertility rate has fallen to a record low of 1.5 babies per woman. In 2023, there were 286,998 births, a fall of 4.6% from 2022. The replacement level to maintain a steady population is 2.1 babies per woman. Australia's total fertility rate has been below replacement since 1976.

**US:** Dockworkers under the International Longshoremen's Association (ILA) went on strike for three days, making it the largest dockworker strike since 1977. The ILA was pushing for higher pay and job protection measures by banning automation at ports. With docks being a crucial part of the supply chain, it is estimated the strike cost US\$5 billion per day.

Technology 'mega caps', Google and Amazon, have signed deals to source energy from small, modular nuclear reactors to run their artificial intelligence data centres. Google's deal with Kairos Power will begin with one reactor this decade, with more to come in 2035, while Amazon has signed three new agreements to support the development of several reactors.

**United Kingdom:** The United Kingdom has sanctioned three Russian agencies for disinformation, particularly for allegedly trying to 'undermine and destabilise Ukraine and its democracy'. The three agencies in question are the Social Design Agency, Structura and ANO Dialog.

**European Union:** The European Central Bank has reduced its interest rate by 0.25% to 3.25%. The move comes after the eurozone inflation rate fell to 1.7%, below the 2% target set by the Central Bank.

**Russia:** Russian President Vladimir Putin held the 2024 BRICS Summit in Kazan. The BRICS Summit is an annual meeting bringing together representatives from member countries Brazil, Russia, India, China, South Africa, Iran, Egypt, Ethiopia and the United Arab Emirates.

**Japan:** Japan's snap general election has seen the ruling Liberal Democratic Party, and its coalition partner lose its parliamentary majority, taking 215 of the available 465 seats, its worst result since 2009. The result leaves the government in uncertainty as parties negotiate to form a majority, potentially resulting in a new prime minister.

**China:** China has begun a five-year smart agriculture plan to digitally transform its entire industry by 2028. The Agriculture Ministry will invest in machinery, seed technology, GPS navigation systems and artificial technology to improve its food output to support its population of 1.4 billion people.

**Guinea:** Customs issues in Guinea have suspended bauxite exports by the Guinea Alumina Corporation, which produces close to 4% of the world's supply. With recent disruptions at other global alumina producers such as Jamalco, and China's domestic bauxite reserves running low, alumina prices have reached new record highs in Shanghai.

## What to watch out for

All three indices in the US reached all-time highs after Donald Trump won his second term and was elected the 47th President of the United States. The surge was driven by investors anticipating lower corporate taxes,

deregulation and policies that support economic growth. With the election results now decided, the focus is now on what impact President Trump will have on financial markets.

## Conclusion



Markets were mostly lower in October as the global outlook became more uncertain. Geopolitical tensions across the world remain elevated but have so far had little impact on markets. The depth and degree of the current economic slowdown and the timing of any interest rate cuts remain the key uncertainties for 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 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 to 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 well placed to explain any impact and discuss the best options and opportunities for you personally.

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