

Global equity markets rallied in September as investor optimism improved. The S&P 500 Index and the Nasdaq Composite Index rose 2.0% and 2.7% respectively as the US Federal Reserve cut the federal funds rate by 0.5% to a target range of 4.75%-5.00%. Nine of the 11 US sectors were higher, with gains led by the Consumer Discretionary and Utilities sectors. The Hang Seng Index jumped 17.5% with the People's Bank of China announcing economic stimulus to boost economic activity and support the property market. The economic stimulus also caused commodity prices to rally, with an improved demand outlook for base metals and iron. The S&P/ASX 200 gained 2.2% over the month, despite the Reserve Bank of Australia (RBA) maintaining the cash rate at 4.35%.

## S&P/ASX 200 Sector Performance

Materials was the best-performing sector over September, with a gain of 11.0%. The biggest beneficiaries of the economic stimulus introduced in China were mining companies as commodity prices rallied on expectations of higher demand from the world's largest consumer of base metals and iron ore. Iron ore and lithium mining services contractor, Mineral Resources Limited, led gains, up 29.6% for the month. The company announced it had received approval for the sale of its 49% stake in the Onslow Iron Haul Road for proceeds of \$1.3 billion, which will be used to reduce debt. Iron ore miners Champion Iron Limited, Rio Tinto Limited, Fortescue Limited and BHP Group Limited rallied 17.2%, 15.8%, 13.2% and 12.7% respectively. Sandfire Resources Limited jumped 25.6% on the higher copper price and

positive test results at its Sesmarias prospect. Gold producers rose as the gold price reached a new all-time high intra-month, with West African Resources Limited (+21.3%) leading its peers higher.

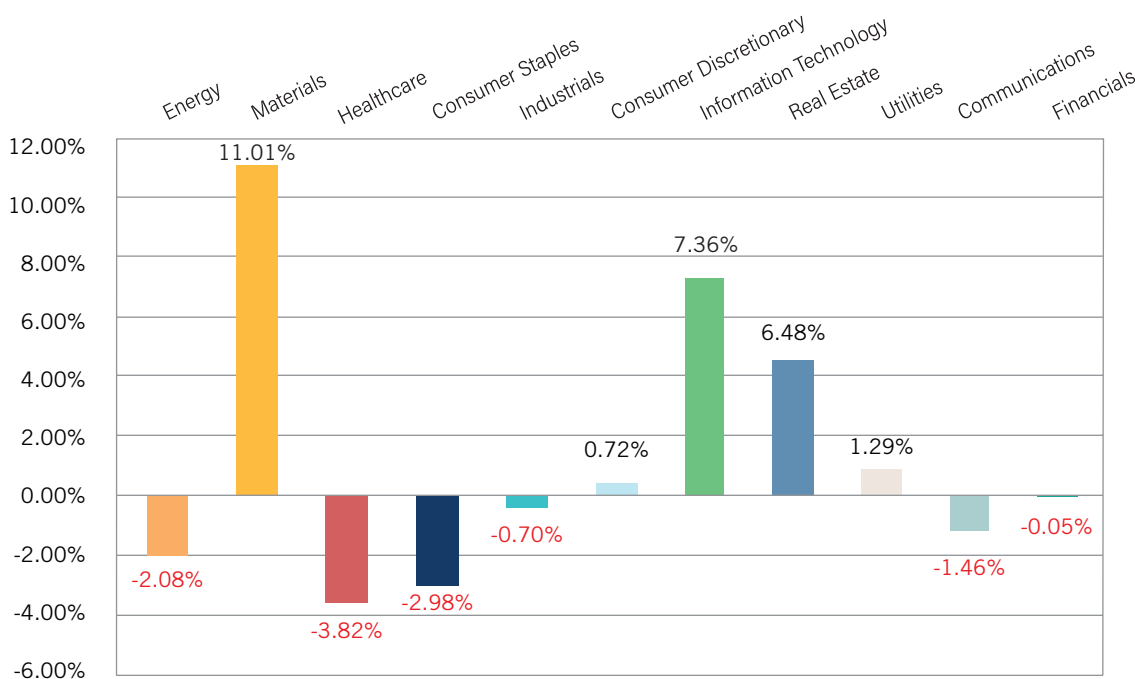
The next strongest sector was Information Technology, with a gain of 7.4%, driven by three major contributors, Nuix Limited (37.8%), SiteMinder Limited (29.0%) and WiseTech Global Limited (15.4%). Nuix Limited rallied after its investor day, where it presented its growth strategy. This included the release of an AI-enriched platform named Nuix Neo and a forecast to generate positive cash flow for the full financial year. SiteMinder Limited climbed on revised cash flow reports that were better than previously reported. WiseTech Global Limited continued to surge from its strong 2024 Financial

Year report that revealed a 22% increase in revenue on the previous financial year.

Real Estate (6.5%) also performed strongly, with improved investor sentiment as inflation nears central bank target rates, strengthening the case for interest rate cuts. Goodman Group, Unibail - Rodamco-Westfield and Charter Hall Group led the sector higher, up 10.8%, 10.5%, and 10.2% respectively. Lifestyle Communities Limited rebounded 9.2% over the month, ending its downtrend from negative media coverage and the withdrawal of its forward guidance.

Healthcare dragged on the index, falling by -3.8% in September. The main laggard was CSL Limited, retreating -6.8% as it moved ex-dividend for a payment of \$2.17 per share. The company also announced temporary leadership changes, with the executive vice president of the Behring division taking caregiver's leave. Cochlear Limited lost -6.1% as it appointed a new chief financial officer. The company's ongoing on-market share buyback will support prices as it looks to repurchase \$75 million worth of shares.

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



**Data Source:** Desktop Broker, 1 October 2024

## Highlights

**Australia:** The Australian Bureau of Statistics published its latest data on International Trade in Goods. In the year ended July 2024, goods exports rose 0.7% while goods imports fell -0.8%. Exports were driven by a 6.0% increase in rural goods, particularly meat and meat preparations and 'other' rural goods such as sugar and honey. On the other hand, non-

rural goods exports fell slightly, driven by a -4.5% fall in other mineral fuels. The main contributor to the fall in imports was a -3.7% decrease in intermediate and other merchandise goods. Within the intermediate and other merchandise goods category, fuels and lubricants were the main driver, down \$364 million or -7.6%.

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The Australian Competition & Consumer Commission (ACCC) filed a legal case against Coles and Woolworths, with allegations that the supermarkets had mislead consumers by providing false discounts. The ACCC accused the retailers of hiking product prices before offering a discount, with the new post-discount price higher than the original price. If found guilty, both Coles and Woolworths may be penalised with a fine of \$50 million for each breach or a percentage of turnover from that time.

**US:** The Federal Reserve cut the federal funds rate by 0.50% to a target range of 4.75%-5.0%, the first rate cut in more than 4 years. The Federal Reserve noted that inflation was moving towards its 2% target and that the move was aimed at supporting the labour market.

OpenAI, the company behind artificial intelligence (AI) chatbot ChatGPT is planning to become a for-profit company. Originally a non-profit AI research group, OpenAI will become a 'benefit corporation,' a for-profit corporation, that additionally aims to be socially responsible and environmentally sustainable. The company will also see leadership changes with three executives announcing their resignations in September. This follows the exits of two co-founders earlier in the year, with another co-founder also currently on sabbatical.

**France:** France has officially appointed a new government and cabinet after around 2 months of political impasse. French President Emmanuel Macron named Michael Barnier, leader of the 'Les Republicains' party as prime minister. The cabinet consists of members from mostly centrist and conservative parties.

**United Kingdom:** The UK Competition and Markets Authority (CMA) has approved two major deals involving "big tech" investing into and acquiring large stakes of smaller AI startups. The CMA approved Amazon investing in Anthropic, an AI safety and research company, and Microsoft investing in Inflection AI, a developer of machine learning and generative AI hardware.

**Scotland:** Glasgow has agreed to a deal to host the 2026 Commonwealth Games, albeit a scaled-down version. Scotland will receive \$200 million of the \$380 million in compensation that the Victorian government must pay, after withdrawing as host.

**Japan:** Following Fumio Kishida's announcement that he will be stepping down from his post as prime minister, Shigeru Ishiba has been selected as his successor via an internal ballot by the Liberal Democratic Party. A snap election is expected to be called in October or November.

**China:** The People's Bank of China has announced a stimulus package to boost the country's faltering economy. The move aims to keep China on target to reach its economic growth target of 5.0%. Both equity and commodity markets rallied after the news, but some economists have warned that further economic support will be needed.

**Saudi Arabia:** Saudi Arabia has abandoned its efforts to maintain a US\$100 per barrel price target for crude oil. The Organisation of the Petroleum Exporting Countries and other oil-producing countries are planning to increase oil production in December, ending ongoing production cuts that began in 2022.

## What to watch out for

Geopolitical tensions continued to escalate over the last month. In the Middle East, conflict between Israel and Hamas is ongoing. Conflict between Israel and Lebanese militant group Hezbollah escalated after Israel responded to ongoing rocket fire by killing Hezbollah leader Hassan Nasrallah and other senior leaders. Hamas and Hezbollah are backed by Iran, who may enter the conflict. Ukraine and Russia also remain at war. Russia has recaptured settlements in the

Kursk region and plans to increase defence spending by more than 25% in 2025. The US has announced almost \$8 billion in additional aid for Ukraine and has recently met with Ukrainian President Volodymyr Zelensky to discuss Ukraine's plan for victory. The increased geopolitical tensions have been driving the gold price higher and contributing to volatility in oil prices.

## Conclusion



Markets were mostly positive in September as they responded to the rate cut by the Federal Reserve and economic stimulus by China. 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 that 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.

#### **Disclaimer**

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