

RESEARCH UPDATE

MARKET *watch*

JANUARY 2024

Apt.

WEALTH PARTNERS

Equity markets continued to rally into the end of 2023. The S&P 500 Index and the Nasdaq Composite Index rose by 4.4% and 5.5%, respectively, for the month of December as US Government bond yields continued to fall. The Hang Seng Index continued to underperform, closing flat despite ongoing Chinese government stimulus. The S&P/ASX 200 outperformed international equity markets rising by 7.1%, with all sectors recording positive returns.

S&P/ASX 200 Sector Performance

Real Estate (+10.1%) was the best-performing sector for the second consecutive month as the interest rate-sensitive sector benefited from market expectations of rate cuts over the course of 2024. HMC Capital Limited was the sector's best performer, rising by 27.8% after the company announced a net valuation gain of \$38 million on its unlisted healthcare fund.

The Healthcare sector rose by 9.1%, driven by CSL Limited, which increased by 9.2% despite no significant news being announced. Neuren Pharmaceuticals rose by 61.1% after the company announced positive Phase 2 trials for its treatment for Phelan-McDermid syndrome, a rare genetic disorder. The company also announced it had completed enrolment for Phase 2 trials for new treatments for Angelman and Pitt-Hopkins syndrome.

Materials increased by 8.8%, driven by Alumina Limited, which rallied 23.4% after announcing that the Western Australian Government would allow the company to continue bauxite mining and downstream alumina refining. Liontown Resources Limited increased by 20.0% despite the company receiving a notice from Drem Pty Limited challenging the calculation of a royalty agreement between the two companies.

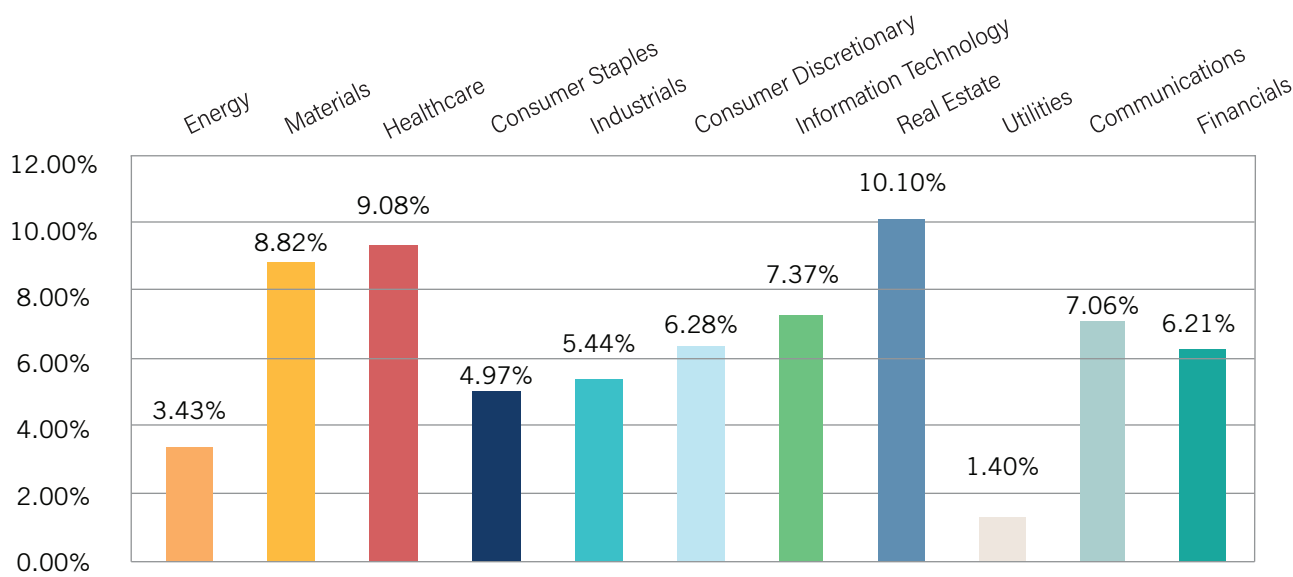
Magellan Financial Group Limited (+24.7%) was the best performer in the Financials sector (+6.2%) after the company reported a \$900 million increase in funds under management, despite \$1.7 billion in fund outflows for the month of November. Steadfast Group Limited increased by 3.2% as the company completed an oversubscribed \$80.7 million share purchase plan to assist in funding the acquisition of

Sure Insurance, an underwriting agency in Queensland.

The Consumer Discretionary sector finished the month 6.3% higher, driven by a 27.5% rally in jewellery retailer Lovisa Holding Limited. Tabcorp Holdings Limited rallied 16.0% after it secured a two-decade extension to its exclusive license for retail wagering and pub betting in Victoria.

The Industrial sector rose 5.4%, driven by Seven West Media Limited and Qube Holdings Limited, which rose 14.8% and 11.0%, respectively. Qube announced the appointment of new director Ms Jill Hoffman, who has 30 years of industry experience. Transurban Group (+5.8%) announced it has successfully raised \$800 million in financing in the US for the WestConnex and traded ex-entitlement to a \$0.30 per unit distribution.

Graph 1: S&P/ASX 200 Sector Performance



Data Source: Desktop Broker, 9 January 2024.

Highlights

Australia: The Australian Bureau of Statistics reported that Australia’s population grew by 2.4% over the 12 months to 30 June 2023. There were 737,200 overseas migration arrivals and 219,100 departures, adding 518,100 people to Australia’s population from overseas migration. People arriving on temporary visas, such as international students, were the main contributor to the arrivals. The natural increase was 106,100 people, a decrease of 15.4% on 2022. There were

295,900 births and 189,900 deaths registered in this time, with deaths increasing by 3.6% and births decreasing by 4.1%.

The Federal Treasurer Jim Chalmers released the mid-year economic and fiscal outlook, which showed the Federal Budget was on track for a \$1.1 billion deficit, \$12.8 billion better than expected. The Budget has benefited from a strong labour market, which increased tax receipts, as well as a higher-than-expected iron ore price. The Federal

Budget had assumed an iron ore price of US\$60 a tonne, but a 37% rally since late July has taken the price to \$US137 a tonne despite the ongoing Chinese property market collapse. Over the next four-year forecast period, the estimate of total tax receipts has been revised up by \$57.2 billion, reflecting near-term strength in commodity prices as well as strong economic growth, inflation and income tax bracket creep. Savings have also been found by primarily delaying large infrastructure projects, including major road and rail projects, which is expected to save \$9.8 billion over the four-year forecast.

US: The US Food and Drug Administration (FDA) has approved the first gene editing medical treatment. The treatment is called 'Casgevy' and was developed jointly by Vertex Pharmaceuticals and CRISPR Therapeutics and is used for the treatment of people with the painful sickle-cell disease.

Google announced the release of their newest artificial intelligence (AI), named Gemini, which is expected to challenge OpenAI's ChatGPT. Gemini is multimodal, meaning you can interact with it using text, voice, video or images. Gemini will come in three sizes: Pro, Ultra and Nano. Pro will be a general-purpose model, Ultra will have fewer resource constraints and better performance (scheduled for release in 2024), and, Nano runs on Google's Pixel smartphones today.

UK: The Office for National Statistics reported that inflation for the 12 months ending on 30 November 2023 was 3.9%, lower than consensus expectations and the lowest reading since September 2021. The UK was one of the developed countries that experienced the

highest inflation when it peaked at 11.1% in October 2022.

Japan: United States Steel has agreed to be acquired by Nippon Steel for US\$14.1 billion. Acquiring United States Steel, which has a production capacity of 20 million metric tons of steel annually, would make Nippon Steel the world's second-biggest steel producer by capacity behind China Baowu Steel Group, according to figures from the World Steel Association.

EU: The European Union reached a provisional deal that is expected to govern the use of AI and will apply to everything from use of AI in biometric surveillance and new systems such as ChatGPT. It will be the first major world power to enact such laws governing AI.

What to watch out for

Global geopolitical tensions have increased further following attacks in the Red Sea on commercial shipping vessels by Yemen's Houthi. The attacks have supported oil prices, which had been falling due to increased stockpiles in the US.

Iron ore has remained stronger than expected as China continues to inject stimulus as their economy continues to recover from a property market collapse.

Conclusion



Markets continued to rally into December, with markets now having fully priced in several rate cuts in the US and Europe following softer inflation data. 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 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

This Research Update was prepared by Adam Bajcarz on behalf of Apt Wealth Partners Pty Ltd (ABN 49 159 583 847 AFSL and ACL 436121). This report was prepared with freely available market information.

Performance information outlined in this document is based on either historical information or stated projections of the product or securities issuer. Apt Wealth Partners does not guarantee any past or future returns on the security or product outlined in this report.

This Research Update is intended as general information only and has been prepared without taking into account your particular objectives, financial situation and needs. Before making an investment decision based on the information contained in this Research Update, you should assess your own circumstances or consult your financial adviser.

Apt Wealth Partners, its directors, employees and associates are not liable for any loss or damage arising from reliance placed on the contents of this Research Update. To the extent permitted by law, all such liability is excluded.

Apt.

WEALTH PARTNERS

The information provided in this publication does not constitute financial product advice. The information is of a general nature only and does not take into account your individual objectives, financial situation or needs. It should not be used, relied upon, or treated as a substitute for specific professional advice. Apt Wealth Partners (AFSL and ACL 436121 ABN 49 159 583 847) and Apt Wealth Home Loans (powered by Smartline ACL 385325) recommends that you obtain professional advice before making any decision in relation to your particular requirements or circumstances.

PROFESSIONAL PRACTICE
FQAA FINANCIAL ADVICE
ASSOCIATION
AUSTRALIA