



Monthly Market Review

OCTOBER 2023

Global equity and bond markets came under pressure in October as investors continued to reposition for the prospect of 'higher-for-longer' interest rates. The U.S 10-year Treasury yield rose above 5% for the first time since 2007, negatively impacting bond market performance (bond prices fall as yields rise). The Bloomberg Global Aggregate Bond Index (AUD) declined 1.2% in October. Meanwhile, U.S equity markets fell for the third consecutive month, with the S&P 500 Index falling 2.2% to almost 10% below its July high. The U.S quarterly earnings season began with, on average, stronger than expected quarterly earnings yet weaker than expected guidance.

Geopolitical tensions added to volatility in commodity markets as the Israel-Hamas conflict unfolded during the month. Gold briefly passed \$2,000 per ounce, to close October up 7.3%. Oil prices retreated from their year-to-date peak, with West Texas Intermediate Crude Oil (WTI) finishing the month down by 10.8% on the possibility of slowing global demand.

Australia

- The Australian equity market, as measured by the S&P/ASX 200 Accumulation Index, fell 3.8% in October. The Information Technology (-7.6%), Healthcare (-7.2%) and Industrial (-6.5%) sectors dragged the index lower. Utilities (+1.7%) was the only sector to close higher. Bonds also declined over the month, with the Bloomberg AusBond Composite Index (AUD) falling 2.6% in October.
- The Reserve Bank of Australia (RBA) paused interest rate hikes for the fourth month in October, holding rates steady at 4.10%. Michele Bullock's first statement on monetary policy as RBA governor reaffirmed the Board's commitment to taming inflation – *"Some further tightening of monetary policy may be required to ensure that inflation returns to target in a reasonable timeframe, but that will continue to depend upon the data and the evolving assessment of risks."*
- Consumer sentiment marginally improved but remained deeply in pessimistic territory. The Westpac-Melbourne Institute Index of Consumer Sentiment rose 2.9% to 82 in October.
- The Australian Consumer Price Index (CPI) rose 1.2% in the September 2023 quarter. The most significant contributors were fuel (+7.2%), rents (+2.2%), new dwellings purchased by owner occupiers (+1.3%) and electricity (+4.2%). Annual inflation was 5.4%, which was lower than the 6.0% annual rise in the June 2023 quarter. This was the third consecutive quarter of lower annual inflation, down from the peak of 7.8% in the December 2022 quarter.
- The Australian labour market remains historically tight, with the September unemployment rate at 3.6%, while the participation rate fell to 66.8%.
- Nationally, property price growth reaccelerated in October, increasing 0.9% as measured by Core Logic (five capital city aggregate). Perth prices climbed 1.6%, followed by Brisbane 1.4% and Adelaide 1.3%. Nationally, property prices are now in positive territory over 12 months, up 7.2%.

International

- The S&P 500 Index fell 2.2% in October, albeit outperforming global peers. Losses were led by declines in Energy (-6.1%), Consumer Discretionary (-4.5%) and Healthcare (-3.3%) sectors. Utilities (+1.2%) was the only sector to edge out a small gain in October. The NASDAQ Composite index fell 2.8% over the month.

- The U.S 10-year bond yield rose above 5% in October, although ended the month at 4.90%, 36bps higher than September's close.
- At the halfway mark, third-quarter U.S earnings have been mixed, with the blended earnings growth rate of S&P 500 Index companies beating expectations, at circa 2.7% year-on-year.
- The U.S Manufacturing Purchasing Manager Index came in 46.7 in October (below 50 indicates a contraction), the lowest since July 2023. Services activity continues to soften, with the U.S Services PMI Index registering 51.8 in in October, down from 53.6 in September.
- U.S headline annual Consumer Price Index (CPI) was above expectations, increasing 0.4% in September, climbing 3.7% for the year. Core CPI was in line with expectations, increasing 0.3% for September and 4.1% on a 12-month basis. Shelter costs were the main factor in the inflation increase, accounting for more than half the rise in CPI.
- The USD Index (the value of the U.S dollar against a basket of widely recognised, publicly traded currencies) was broadly flat over the month, gaining only 0.5% in October. The Australian dollar closed October at 63.37¢ (down 1.5% versus the USD over the month).
- European equity markets fell in October. The Euro Stoxx 600 Index and the German DAX both fell 3.7%. The FTSE 100 Index followed, closing the month down 3.8%. Forward-looking Composite PMIs remain in contractionary territory in both the Eurozone (46.5) and UK (48.6). Euro area headline annual inflation fell again in October, to 2.9%, while core inflation fell to 4.2%.
- Emerging market equities (as measured by the MSCI Emerging Markets Index (USD)) fell 3.9% in October. The Korean KOSPI index (KRW), down 7.6%, and the Hong Kong Hang Seng Index (HKD), down 3.9%, led the declines.

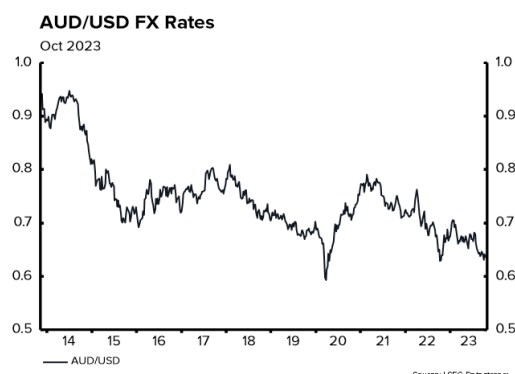
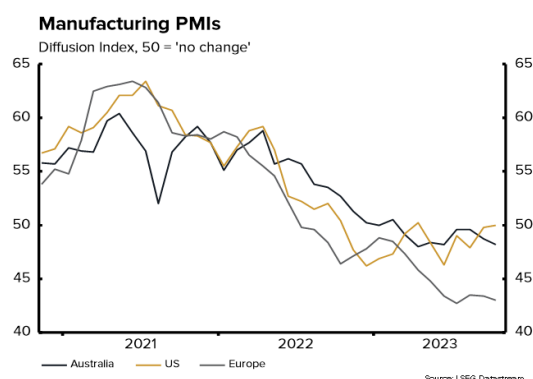
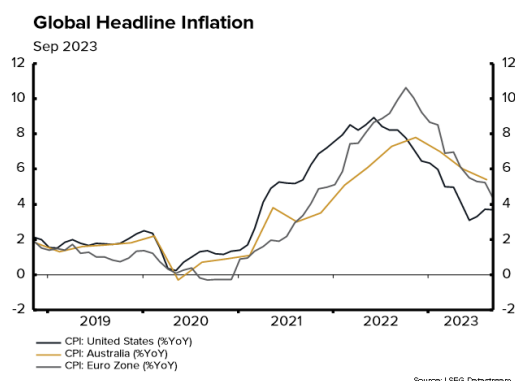
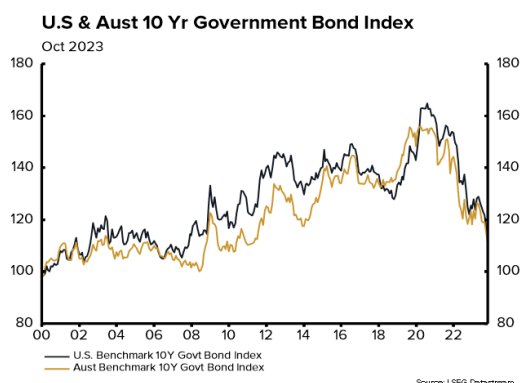
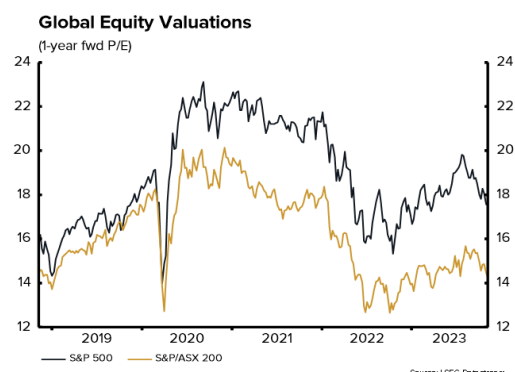
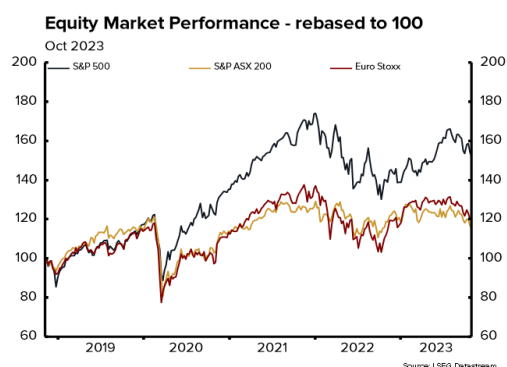
Commodities

- Volatility in commodity markets continued following heightened concerns around the conflict in the Middle East. Gold prices (in USD) climbed 7.3% in October. Oil prices retreated from a year-to-date peak in late September on concerns higher for longer interest rates could slow economic and demand growth. WTI fell 10.8% to close at US\$81.02/bbl and Brent crude fell 8.3% to close at 87.41/bbl.
- Iron ore price rose 2.1% over the month and is 51.2% higher over 12-months. Copper prices remain volatile, down 2.2% for the month.

Global Markets – 31 October 2023

Equities	YTD	1 Month	3 Months	1 Year	3 Years (p.a.)	5 Years (p.a.)
S&P /ASX 200 Accumulation Index (AUD)	-0.2%	-3.8%	-7.2%	3.0%	8.9%	7.2%
S&P/ASX Small Ordinaries Index (AUD)	-8.5%	-5.6%	-11.4%	-7.9%	-2.2%	-0.2%
S&P 500 Index (USD)	9.2%	-2.2%	-8.6%	8.3%	8.6%	9.1%
NASDAQ Composite Index (USD)	22.8%	-2.8%	-10.4%	17.0%	5.6%	12.0%
Russell 3000 Index (USD)	8.0%	-2.7%	-9.4%	6.6%	7.6%	8.4%
FTSE 100 Index (GBP)	-1.7%	-3.8%	-4.9%	3.2%	9.5%	0.5%
Euro Stoxx 600 (EUR)	2.1%	-3.7%	-8.0%	5.2%	8.2%	3.7%
Nikkei 225 (JPY)	18.3%	-3.1%	-7.0%	11.9%	10.3%	7.1%
Hang Seng (HKD)	-13.5%	-3.9%	-14.8%	16.5%	-10.8%	-7.3%
MSCI Emerging Markets Index (USD)	-4.3%	-3.9%	-12.6%	7.9%	-6.0%	-0.9%
MSCI World Ex Australia (AUD)	15.9%	-1.0%	-3.4%	11.7%	12.0%	10.8%
Bonds						
Bloomberg AusBond Composite Index (AUD)	-0.6%	-1.8%	-2.6%	-1.2%	-4.6%	-0.1%
Bloomberg Global Agg Bond Index (AUD)	-1.0%	-1.2%	-3.7%	2.2%	-5.3%	-0.1%
Currency						
AUD/JPY	7.6%	0.1%	0.6%	1.0%	9.3%	3.8%
AUD/USD	-7.0%	-1.5%	-5.7%	-1.0%	-3.4%	-2.2%

Source: Bloomberg October 2023. (All returns are in local currency terms.)



Please contact your Advisor for further details or [click here](#) for a copy of our latest Quarterly Outlook.

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