ARRIVE
WEALTH MANAGEMENT

INVESTMENT AND ECONOMIC SNAPSHOT

FY2023/2024 YEAR IN REVIEW

KEY MARKET & ECONOMIC DEVELOPMENTS

JULY 2023

The U.S. Federal Reserve increased rates by a further 25 bps, citing concerns about inflation and tight labour markets for its decision. U.S. and Australian Government bond yields rose throughout the month. Global financial markets improved, with most major financial assets generating solid returns for the second consecutive month. Asian markets, led by Chinese equities, were particularly strong. U.S. stocks also performed well due to better-than-expected earnings results, fostering investor optimism for a soft landing of the economy.

AUGUST 2023

Central banks around the globe met at Jackson Hole. Although they acknowledged inflation is slowing, the key takeaway was that further hiking may be necessary and interest rates are most likely to be higher for longer. Additionally, the absence of substantial Chinese stimulus to support their slowing domestic economy added to investor concerns. Fitch, an independent credit rating agency, caused a stir by downgrading the U.S. credit rating one notch to AA+ from AAA. Fitch cited expected fiscal deterioration over the next three years, as well as a high and growing general government debt burden as reasons for the downgrade.

SEPTEMBER 2023

September's reputation for being a poor month for markets came to bear, leading to a widespread sell-off across asset classes. The Fed held the funds rate steady and made only minor changes to its policy statement. However, significant shifts in economic and interest rate projections, suggesting a "higher (interest rates) for longer" outlook, rattled markets, as investors grew cautious. Meanwhile, the RBA, under new Governor Michele Bullock, opted to keep interest rates unchanged, expressing concerns about persistent inflation and acknowledging economic uncertainty. Oil prices rose another 8.6% in September to finish 28.5% higher for the quarter.

OCTOBER 2023

The market downturn continued, as strong U.S. economic data led to higher global bond yields, with the U.S. 10-year bond yield reaching 5% during the month. Both stocks and bonds extended their losses for a third month in a row. Hamas launched a surprise attack on Israel, escalating into war. Gold and the U.S. dollar were the best-performing asset classes.

NOVEMBER 2023

A shift in interest rate expectations towards rate cuts in 2024 propelled both stocks and bonds higher, bringing the recent correction to an end. Australian stocks bounced 5.19%, while U.S. stocks surged 9.13% higher in USD terms. Although stocks and bonds enjoyed a strong, positive month, global manufacturing surveys deteriorated further, suggesting a meaningful economic recovery is not around the corner.

The RBA lifted the cash rate by 25 bps to a 12-year high of 4.35%. Governor Bullock's post-meeting speech underscored that although inflation is moderating, it remains too high and is more persistent than anticipated. The statement left open the possibility of another rate increase.

DECEMBER 2023

Financial markets ended 2023 on a high, with stocks and bonds extending their gains from November on easing inflation fears and expectations that the U.S. may avoid a recession. Investor sentiment received a further boost when the Fed Reserve Chair, Jerome Powell, commented that U.S. rates are at, or near the peak, in the current cycle. While many stock markets ended the year with strong returns, the U.S. market proved to be the key driver of global returns during 2023, with AI-themed stocks such as NVIDIA, having an outsized impact on the performance of U.S. stocks. The Australian market lagged the U.S. market given its significant exposure to cyclical sectors such as banks and resources where earnings are significantly weaker compared to technology and consumer discretionary sectors in the U.S.

JANUARY 2024

The stock market recovery that began in November 2023 consolidated in January, as the Fed pushed back on optimistic rate cut expectations that were priced into markets. This saw bonds and interest rate-sensitive sectors like property and infrastructure, experience weakness, while the broader Australian and U.S. equity markets enjoyed modest gains. Japanese stocks were among the best-performing asset classes finishing 8.4% higher, driven by strong buying interest from foreign investors taking advantage of a weaker Japanese Yen. In Australia, inflation came in lower than expected, but retail sales dipped.

FEBRUARY 2024

Fuelled by strong earnings and anticipation of rate cuts, global stock markets surged to record highs. China, buoyed by government intervention, also saw a significant market rebound. The RBA maintained the cash rate at 4.35% with Governor Bullock indicating inflation was still too high. This was supported by data released later in the month showing rent inflation and food inflation still elevated. In the U.S., strong jobs data clashed with surprising inflation figures, prompting the Fed to hint at a potential delay in rate cuts.

MARCH 2024

Australian and global stocks continued their good performance in March to cap off a strong first quarter of the year. The Bank of Japan increased its cash rate for the first time in 17 years. Both the RBA and the Fed left the cash rate unchanged. Gold rose 8.3%, driven higher by central bank purchases, while iron ore fell 13.2% as Chinese stockpiles grew. Cocoa, the key ingredient in chocolate, made headlines after its priced surged 50% in March due to continued supply disruptions.

APRIL 2024

After a strong start to the year, stocks and bonds experienced a pullback when inflation data surprised on the upside in Australia and the U.S. This led markets to push out the timing of rate cuts, negatively impacting equity market sentiment. Geopolitical tensions flared again after Iran's missile attack on Israel, pushing gold to new all-time highs. Volatility in commodity markets continued with copper rising 13% and oil rebounding 15.8% following months of weakness.

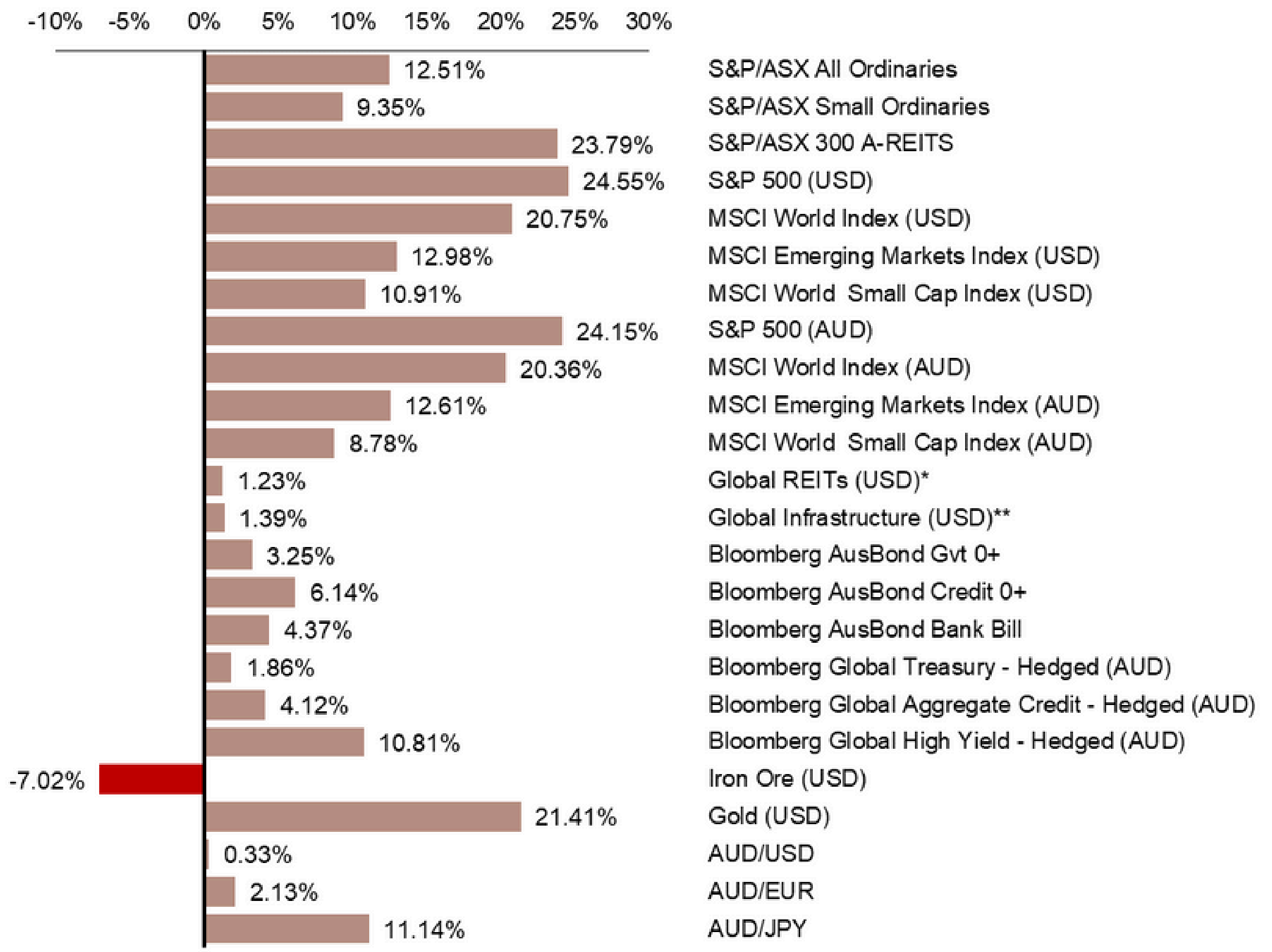
MAY 2024

Global markets rebounded in May, led by the U.S, up almost 5%. Chipmaker NVIDIA experienced gains of 25.5% following strong earnings which beat expectations. The Australian stock market posted modest gains of 0.87%. The RBA held the cash rate steady at 4.35%, but communicated a more cautious outlook following higher than expected inflation data from April. In the U.S., the Fed calmed markets by reiterating that the next interest rate move would not be a hike. In China, the government announced a USD$240 billion rescue package to support the property sector which has been a significant drag on the economy.

JUNE 2024

Global stocks grinded higher in June, led by the U.S. and in particular technology stocks. Investors breathed a sigh of relief as U.S. inflation data matched expectations. The European Central Bank reduced interest rates by 0.25%. Global markets started to consider the impact that upcoming elections in the U.S., UK, and France may have on economies.

SELECTED MARKET RETURNS (%) FY2023/2024



Sources: *FTSE EPRA Nareit DEVELOPED, **FTSE Global Core Infrastructure 50/50 Index

THE YEAR IN REVIEW

Inflation and the timing of future rate cuts was a major source of volatility throughout the 2024 financial year. The last interest rate increase in the U.S was in July 2023, while in Australia the last increase was in November 2023. As we entered the 2024 calendar year, there were expectations of up to six interest rate cuts in the U.S. However, inflation has remained stickier than expected and, as the year progresses, there are now question marks if there will be any interest rate cuts this calendar year. The RBA, on the other hand, is still considering whether one more rate hike is required.

Global equity markets performed well throughout the 2024 financial year, with the U.S. leading the way. The Magnificent Seven stocks dominated the headlines and drove the majority of the U.S. market performance. NVIDIA was the dominant company as it benefited from the boom in AI, and briefly became the largest company in the world with a market capitalisation exceeding $3 trillion.

Despite cost-of-living pressures and higher interest rates, the Australian economy has been resilient. However, data shows that without the impact of strong net migration, Australia would have entered into a recession this year. Both major political parties have stated that they do not intend to keep migration at these elevated levels, which suggests a challenging outlook for economic growth in the near future. The Australian share market returns have been dominated by the Big 4 banks, Goodman Group, and a small number of technology stocks. The lack of earnings growth and consistent rise in the share prices of the Big 4 banks has left them trading at historically high valuations.

Despite ongoing economic challenges in China, investor sentiment has stabilised as investors welcome economic stimulus and policy from Chinese authorities. The People's Bank of China has cut the 5-year lending rate, a key reference rate for mortgages. China presents an attractive investment opportunity due to supportive government policies, recent interest rate cuts and cheap valuations relative to developed market stocks.

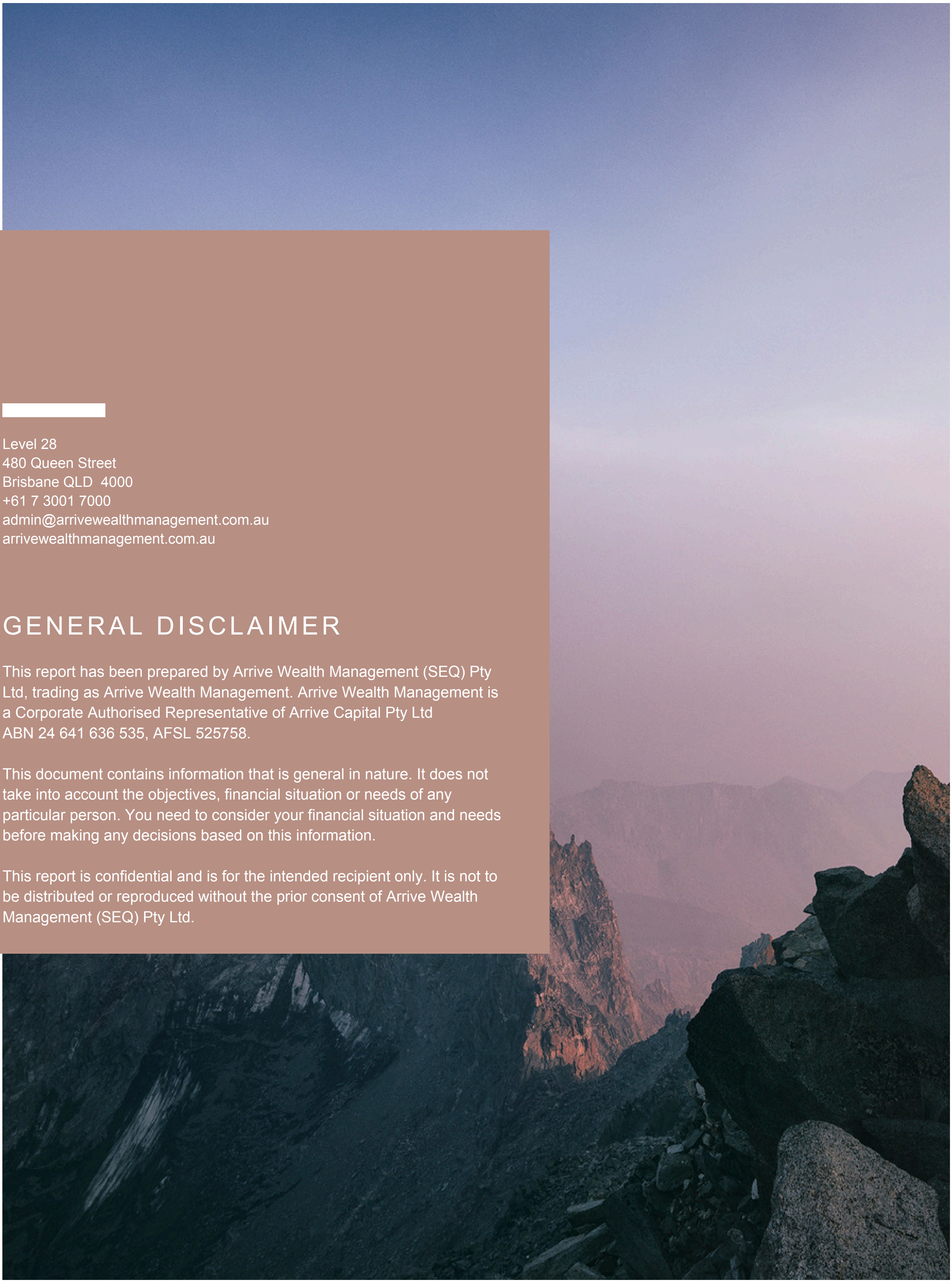
OUTLOOK

Inflation in the U.S. and Australia is falling slower than expected which has delayed interest rate cuts. With the uncertainty around interest rate movements and a slowing economy, portfolio diversification and active risk management are crucial in navigating the unpredictable financial landscape. By prudently managing risks and being prepared for various market scenarios, investment portfolios can weather challenges and take advantage of opportunities that may lie ahead.

MAJOR MARKET INDICATORS

	30-Jun-24	31-May-24	30-Apr-24	Qtr change	1 year change
Interest Rates (at close of period)					
Aus 90 day Bank Bills	4.39%	4.36%	4.37%	+4.0	+14.0
Aus 10yr Bond	4.41%	4.33%	4.27%	+36.5	+49.4
US 90 day T Bill	5.22%	5.25%	5.25%	-1.0	+5.0
US 10 yr Bond	4.37%	4.49%	4.68%	+16.5	+56.2
Currency (against the AUD)					
US Dollar	0.668	0.665	0.649	2.37%	0.33%
British Pound	0.524	0.522	0.521	1.41%	-0.11%
Euro	0.620	0.613	0.610	2.67%	1.59%
Japanese Yen	107.32	104.63	102.10	8.76%	11.68%
Trade-Weighted Index	63.30	63.10	62.20	2.93%	2.59%
Equity Markets					
Australian All Ordinaries	0.7%	0.9%	-2.7%	-1.2%	12.5%
MSCI Australia Value (AUD)	0.9%	1.0%	-2.9%	-1.0%	14.0%
MSCI Australia Growth (AUD)	3.3%	1.2%	-3.9%	0.5%	15.7%
S&P 500 (USD)	3.6%	5.0%	-4.1%	4.3%	24.6%
MSCI US Value (USD)	0.0%	2.9%	-4.2%	-1.4%	15.0%
MSCI US Growth (USD)	6.9%	6.6%	-4.0%	9.4%	34.1%
MSCI World (USD)	2.1%	4.5%	-3.7%	2.8%	20.8%
Nikkei (YEN)	3.0%	0.2%	-4.9%	-1.8%	21.5%
CSI 300 (CNY)	-2.5%	-0.5%	2.0%	-1.0%	-7.7%
FTSE 100 (GBP)	-1.1%	2.1%	2.7%	3.7%	12.8%
DAX (EUR)	-1.4%	3.2%	-3.0%	-1.4%	12.9%
Euro 100 (EUR)	-2.8%	3.2%	-0.8%	-0.6%	11.7%
MSCI Emerging Markets (USD)	4.0%	0.6%	0.5%	5.1%	13.0%
Commodities					
Iron Ore (USD)	-9.0%	-0.9%	15.8%	-9.8%	-7.0%
Crude Oil WTI U$/BBL	6.2%	-6.6%	-0.6%	-0.8%	17.3%
Gold Bullion $/t oz	-0.2%	1.5%	3.7%	1.3%	21.4%

Source: Quilla and Refinitv



Level 28
480 Queen Street
Brisbane QLD 4000
+61 7 3001 7000
admin@arrivewealthmanagement.com.au
arrivewealthmanagement.com.au

GENERAL DISCLAIMER

This report has been prepared by Arrive Wealth Management (SEQ) Pty Ltd, trading as Arrive Wealth Management. Arrive Wealth Management is a Corporate Authorised Representative of Arrive Capital Pty Ltd ABN 24 641 636 535, AFSL 525758.

This document contains information that is general in nature. It does not take into account the objectives, financial situation or needs of any particular person. You need to consider your financial situation and needs before making any decisions based on this information.

This report is confidential and is for the intended recipient only. It is not to be distributed or reproduced without the prior consent of Arrive Wealth Management (SEQ) Pty Ltd.