

# Market wrap



## January: Steady Start to 2024

- After an excellent month in December, returns in January seemed to be somewhat subdued.
- Global Shares** on an unhedged basis were the best performers gaining 4.5%. Global shares on a hedged basis gained 1.8%. Momentum as a style was exceptionally strong in January. Even more so than Growth or Quality. This may be reflective of investors buying into the market leading "Magnificent 7" even after the exceptional year they had in 2023.
- Australian shares** had a reasonable start to the year, with the broad market index, the S&P/ASX 200 Accumulation Index gaining 1.2% for the month. The best performing styles for the month were Low volatility and Growth, although, again this month, there was relatively little differentiation between styles, with one exception, Momentum which was a bit of a laggard. His was in stark contrast to global shares where Momentum performed well.
- Fixed income** ground out small gains during January, with Australian Fixed Interest gaining 0.2%, while global fixed interest gained 0.4%.
- The Australian dollar lost 3.1% against the U.S. dollar over the month.

## U.S. Inflation Down, but Above Forecasts

### Globally

- The annual inflation rate in the U.S. fell back to 3.1% in January 2024 following a brief increase to 3.4% in December, but came in higher than forecast (2.9%). Energy costs dropped 4.6% (vs -2.0% in December), with gasoline declining 6.4% (vs -1.9%), utility (piped) gas service falling 17.8% (vs -13.8%) and fuel oil sinking 14.2% (vs -14.7%).
- The inflation rate in the Euro Area went down to 2.8% year-on-year in January 2024 from 2.9% in the previous month, in line with market expectations, a preliminary estimate showed. Meanwhile, the core rate, which excludes volatile food and energy prices, continued to ease to 3.3%, above forecasts of 3.2%, but still reaching its lowest level since March 2022.

### Locally

- Australia's inflation rate was at 4.1% YoY in Q4 of 2023, down from 5.4% in Q3 and below market expectations of 4.3%. This was the lowest figure since Q4 of 2021, as goods inflation eased for the fifth consecutive quarter (3.8% vs 4.9% in Q3) and services inflation slowed for the second straight quarter (4.6% vs 5.8%).
- As expected, the RBA kept the official cash rate at 4.35% at its February meeting. The next cash rate announcement will be on March 19<sup>th</sup>.

## Major asset class performance

Asset classes	1 month %	1 year %	5 years (p.a.) %
Australian Shares	1.2%	7.1%	9.7%
Australian small companies	0.9%	2.1%	5.4%
Global shares (hedged)	1.8%	16.5%	10.5%
Global shares (unhedged)	4.5%	25.1%	13.7%
Global small companies (unhedged)	0.4%	9.8%	9.1%
Global emerging markets (unhedged)	-1.6%	3.5%	3.0%
Global listed property (hedged)	-3.4%	-3.5%	-0.7%
Cash	0.4%	4.0%	1.4%
Australian fixed income	0.2%	2.5%	0.6%
International fixed income	-0.3%	2.8%	0.2%

Source: FactSet, Lonsec & Insignia Financial, 31 January 2024

**Indices used:** Australian Shares: S&P/ASX 200 Accumulation Index, Australian small companies: S&P/ASX Small Ordinaries Accumulation Index, Global shares (hedged): MSCI World ex Australia Net Total Return (in AUD), Global shares (unhedged): MSCI World ex Australia Hedged AUD Net Total Return Index; Global small companies (unhedged): MSCI World Small Cap Net Total Return USD Index (in AUD); Global emerging markets (unhedged): MSCI Emerging Markets EM Net Total Return AUD Index; Global listed property (hedged): FTSE EPRA/NAREIT Developed Index Hedged in AUD Net Total Return; Cash: Bloomberg AusBond Bank Bill Index; Australian fixed income: Bloomberg AusBond Composite 0+ Yr Index; International fixed income: Bloomberg Barclays Global Aggregate Total Return Index Value Hedged AUD

**Please note:** Past performance is not indicative of future performance.

## Currency markets

Exchange rates	At close on 31/01 %	1 month change %	1 year change %
USD/AUD	0.6610	-3.1%	-6.2%
Euro/AUD	0.6086	-1.5%	-6.2%
Yen/AUD	96.63	0.4%	5.4%

Source: FactSet & Insignia Financial, 31 January 2024.

All foreign exchange rates are rounded to two decimal places where appropriate.

**Please note:** Past performance is not indicative of future performance.