

Investment report

Market overview

As at 20 December 2024

Equity markets weakened in most major markets in October and global bond markets sold off as signs of continued economic strength and some resilience in inflation in the United States (US) saw investors reduce expectations for the pace and scale of interest rate cuts, pushing bond yields higher (bond prices move inversely to yields). The looming US presidential election also added to uncertainty surrounding the outlook for economic policy and fiscal sustainability and how these could impact growth, inflation and interest rates in the US.

United States

Global equities rebounded in November, driven by the US) as political uncertainty eased following a decisive victory by Donald Trump in the US presidential election, while momentum in the US economy remained strong. In addition, with underlying inflation having fallen within 1 percentage point (ppt) of target, the US Federal Reserve lowered rates by 0.25ppt to 4.50-4.75% in November, following an initial 0.50ppt cut in September. After the meeting, Chair Powell indicated that the risks around inflation and growth were relatively balanced, though he also noted that the pace of further easing would be dictated by the evolution of economic data.

However, subsequent inflation data in the US has shown some renewed 'stickiness' with little further disinflation progress in recent months, suggesting that the 'last mile' of inflation moderation will be a slow process. The potentially inflationary impacts of some of President Trump's proposed policies also adds to the risks surrounding the outlook for inflation in the US, though the degree to which some policies may be implemented remains very uncertain.

Europe

After a solid start to the year, momentum has continued to soften further in the eurozone, as the region's two largest economies, France and Germany, experience prolonged weakness while also being hit by political uncertainty with central governments in gridlock in both countries.

While some countries on the periphery of the eurozone have held up better, the weakness in France and Germany has weighed on momentum of the region as a whole. This has paved the way for further monetary easing from the European Central Bank, with rates lowered by another 0.25ppt in December, bringing the key deposit rate to 3.00%, down from 4.00% in June.

Australia

In Australia, monthly inflation data suggest further progress on bringing inflation sustainably back to the 2 to the 3% range. While headline CPI inflation is already below 3%, this is partly due to the effect of government subsidies, which the Reserve Bank of Australia (RBA) will look through. But there have been encouraging signs in underlying inflation in areas outside of government policy impacts. In addition, national accounts data released in early December showed real Gross Domestic Product (GDP) grew less than expected in the September 2024 quarter, recording an anaemic annual growth rate of just 0.8% year on year (y/y).

On the other hand, some data have begun to show signs of consumer recovery in Australia, with consumer confidence and retail sales growth improving, and real household disposable income now growing modestly. With labour market conditions also remaining strong, the RBA continued to keep policy on hold at their November and December board meetings, opting to wait for further data to confirm recent disinflationary trends are sustainable. However, in a press conference following December's board meeting, RBA Governor Bullock signaled that upside risks to inflation have diminished, paving the way for a likely start to rate cuts in 2025.

Monthly performance

Accumulation Options – investment performance as at 30/11/2024

	High Growth	Growth Plus	Growth (MySuper) - Default	Conservative Growth	Conservative	Cash	Australian Shares	Diversified Fixed Interest	Overseas Shares	Indexed Diversified	Property
1 month	2.94%	2.61%	2.32%	1.73%	1.21%	0.34%	3.67%	0.92%	4.31%	3.26%	1.26%
6 months	7.88%	7.01%	6.38%	4.95%	3.71%	2.09%	9.95%	3.46%	10.87%	8.62%	4.28%
FYTD	6.95%	6.28%	5.74%	4.48%	3.32%	1.75%	9.13%	2.79%	9.88%	7.45%	5.89%
1 year	17.61%	15.38%	13.66%	10.57%	7.60%	4.20%	21.54%	6.11%	24.62%	18.15%	5.99%

Returns are based on the crediting rate, which is returns minus investment fees, taxes and until 31 January 2020, the percentage-based administration fee. Excludes fees and costs that are deducted directly from members' accounts. Past performance is not a reliable indicator of future performance.