

# Investment Report

## Market Overview

**As at 22 October 2024**

Global equity markets climbed higher in September, as the US Federal Reserve (Fed) embarked on its interest rate-cutting cycle and policymakers in China showed greater willingness to support economic growth.

### United States

The continued strength in the US equity market in September came despite data showing another month of underwhelming jobs growth in August. This raised concerns that the US economy could be falling off its 'soft landing' trajectory, and the release of the data initially sparked a renewed decline in equity markets in early September. However, with most other data suggesting US economic momentum remains strong, markets quickly rebounded, with further support coming from a 0.5 percentage point (ppt) cut in rates from the Fed.

Adding to market confidence was the Fed's upbeat outlook for the economy, with growth expected to remain solid, core inflation to continue slowly declining, and interest rates expected to fall another 0.5ppts this year and 1.00ppt in 2025. Underscoring this economic resilience, the latest US labour market data released in the first week of October showed that jobs growth had rebounded strongly in September, suggesting that so far, the 'soft landing' outlook remains very much intact.

### Europe

Data has been somewhat more mixed. While the euro area economy continues to hold up in aggregate, the manufacturing sector appears to be under renewed pressure, and Germany, the region's largest economy, continues to face both cyclical and structural headwinds. Given this backdrop, the European Central Bank (ECB) cut interest rates by 0.25ppt in back-to-back meetings in September and October, bringing the deposit rate to 3.25%. Aiding the ECB's decisions have been further signs of disinflation, with core CPI inflation declining to 2.7% year on year (y/y) in September and headline inflation falling to 1.8% y/y, below the ECB's 2% target.

### Canada and New Zealand

Canada has also continued its easing cycle with a third 0.25ppt rate cut in September, while the Reserve Bank of New Zealand has accelerated its monetary easing, lowering rates by 0.50ppt in early October, following an initial 0.25ppt cut in August. The larger rate cut comes as inflationary pressures have eased and downside risks to the already very weak economy are mounting.

### China

On the other hand, the outlook has clearly brightened in China, where authorities have taken measures to backstop the correction in the property sector and have committed to supporting a recovery in economic momentum.

While China's property sector has been shrinking for some time, recent data suggest that this has started to weigh on the broader economy, leading to more cautious behaviour from Chinese consumers. It has also led to a revenue squeeze for economically pivotal local governments, who have had to cut back on spending in response – further exacerbating the economic slowdown.

Policymakers sprang into action in September with a coordinated response, as the People's Bank of China (PBOC), other financial regulators and the central government unveiled a raft of measures to support the economy more proactively.

Monetary policy measures included interest rate cuts, along with guidance of more cuts before the end of the year. In addition, the PBOC announced 800 billion yuan of financing to support the equity market, including 300 billion yuan in cheap PBOC loans to commercial banks to help fund share purchases and buybacks, to maintain financial stability and boost investor confidence.

A range of policies was also announced to stem the decline in the property market, including reduced property purchase restrictions, lower rates on existing mortgages, and support for local governments to purchase unsold homes to convert into affordable housing.

Fiscal measures to support the broader economy have been less concrete so far, but authorities have committed to providing further support going forward, with more detailed announcements expected in the months ahead. However, it appears that further measures will likely be directed towards shoring up the balance sheets of local governments and banks, rather than direct 'big bang' fiscal spending as seen in some previous stimulus episodes.

Nonetheless, the range of measures released to date, combined with the coordinated nature of the response and clear resolve of authorities to support the economy, mean that the outlook for China is now more positive, with growth likely to pick up pace from its current soft patch. Markets certainly liked the policy response, with China's CSI 300 equity market index posting a 21% gain in September.

The rally no doubt reflects expectations about the amount and form of further fiscal stimulus, so equities could face downward pressure if policy announcements underwhelm from here. But with a clear policy pivot under way, and hopefully some momentum restored to economy, China should provide a positive tailwind for the global economy heading into 2025.

# Monthly Performance

## Accumulation Options – Investment Performance as at 30/09/2024

	High Growth	Growth Plus	Growth (MySuper) - Default	Conservative Growth	Conservative	Cash	Australian Shares	Diversified Fixed Interest	Overseas Shares	Indexed Diversified	Property
<b>1 month</b>	1.55%	1.45%	1.31%	1.05%	0.70%	0.34%	3.05%	0.62%	0.05%	1.16%	0.95%
<b>6 months</b>	3.68%	3.52%	3.27%	2.90%	2.62%	2.10%	5.72%	3.03%	1.65%	4.26%	3.74%
<b>FYTD</b>	3.71%	3.50%	3.29%	2.79%	2.27%	1.05%	6.76%	2.58%	2.47%	4.06%	5.34%
<b>1 year</b>	15.96%	14.06%	12.49%	10.17%	7.69%	4.16%	19.98%	7.32%	19.51%	16.96%	8.07%

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.