Market Watch

January: Strong start to the year

- All the talk was on the US leadership with Donald Trump taking the office on the 20th of January and with Chinese firm DeepSeek releasing a new chatbot artificial intelligence (AI)
- Australian shares returned +4.6% over the month with the index reaching an unprecedented high of 8,532 in late January, the Small Cap market rebounded up +4.2% after returning -3.1% in December.
- Global Shares on a hedged basis was up +3.5%. Global Shares on an unhedged basis gained +2.7%. US shares were up but lagged other regions with European shares the standout performer over the month.
- Global small caps had a positive month returning +2.7% on the back of future rate cut expectations and some profit taking.
- Global emerging markets returned a modest +1.0% after a strong November with Colombia the top-performing region, with India the worst performing region related to growth concerns.
- Property and Infrastructure after negative returns over November the Global listed property (hedged) sector returned +1.6% and Listed Infrastructure (hedged) sector +0.7% over the month.
- Fixed income was up due to positive news on inflation with Australian bonds returning +0.2% and global bonds returning +0.4%.
- The Australian dollar AUD was up slightly against major currencies except for the Yen. Most notably, the AUD was up 1.3% against the British pound over the month.

Job Market:

U.S.

- The annual unemployment rate in January fell to 4.0%, down from 4.1% in December last year which reveals a moderating yet healthy US labour market.
- U.S. Non-farm payrolls rose by +143,000 in January, below the 169,000 forecast and well below the gains seen in November 2024 (+261,000) and December 2024 (+307,000).
- Labor force participation ticked up slight over January at 62 6%

Locally

- The Consumer Price Index (CPI) in Australia came in at 2.4% year on year (yoy) to December 2024 falling from 2.8% yoy for the September quarter. The largest quarterly increases came from Education (+6.5%), Alcohol and tobacco, (6.2%) and Insurance and financial services (+5.4%).
- Australia's seasonally adjusted unemployment rate rose slightly by 0.1% to 4.0% in December 2024 due to a rise in new job seekers. Australia's labour participation rose by 0.2% to a record high of 67.1% in December 2024.

Major asset class performance

| Asset classes | 1 month % | 1 year % | 3 years (p.a.) % | 5 years (p.a.) % |
|------------------------------------|-----------------|-------------|------------------------|------------------------|
| Australian Shares | 4.6 | 15.2 | 11.4 | 8.0 |
| Australian small companies | 4.6 | 12.3 | 3.1 | 4.3 |
| Global shares (unhedged) | 2.7 | 28.9 | 14.1 | 13.8 |
| Global shares (hedged) | 3.5 | 22.7 | 9.4 | 11.3 |
| Global small companies (unhedged) | 2.7 | 22.0 | 8.7 | 9.3 |
| Global emerging markets (unhedged) | 1.0 | 21.6 | 3.4 | 4.5 |
| Global listed property (hedged) | 1.6 | 8.1 | -3.3 | -1.3 |
| Listed Infrastructure (hedged) | 0.7 | 14.9 | 3.3 | 2.4 |
| Australian fixed income | 0.2 | 2.9 | -0.4 | -0.6 |
| International fixed income | 0.4 | 3.0 | -1.2 | -0.7 |
| Cash | 0.4 | 4.5 | 3.3 | 2.1 |

Source: Lonsec iRate, Rhombus Advisory, 31 January 2025

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; Listed Infrastructure (hedged); FTSE Global Core Infrastructure 50/50 NR Index (AUD Hedged) 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 % | 3 year change % |
|----------------|----------------------|------------------------|-----------------------|-----------------------|
| AUD/USD | 0.62 | 0.5 | -5.3 | -4.2 |
| AUD/GBP | 0.50 | 1.3 | -3.2 | -1.6 |
| AUD/Euro | 0.60 | 0.3 | -1.3 | -1.6 |
| AUD/Yen | 96.68 | -0.9 | -0.1 | 5.8 |

Source: Lonsec iRate, Rhombus Advisory, 31 January 2025
All foreign exchange rates are rounded to two decimal places where appropriate

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