

## Monthly Economic Wrap

November 2023

### Summary

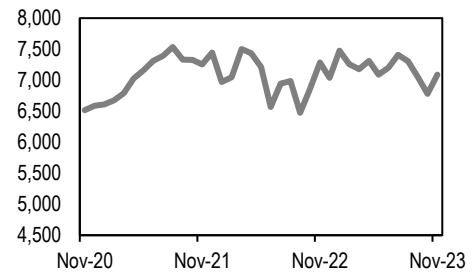
#### Economic

- The global economy, which has proved surprisingly resilient this year, is expected to falter next year under the strain of wars, still-elevated inflation and continued high interest rates.
- The Paris-based OECD has estimated that international growth would slow to 2.7% in 2024 from an expected 2.9% pace this year. That would amount to the slowest calendar-year growth since the pandemic year of 2020.
- A key factor in the slowdown is that the OECD expects the world's two biggest economies, the United States and China, to decelerate next year. The U.S. economy is forecast to expand just 1.5% in 2024, from 2.4% in 2023, as the Federal Reserve's interest rate increases, 11 of them since March 2022, continue to restrain growth. The Chinese economy, beset by a destructive real estate crisis, rising unemployment and slowing exports, is expected to expand 4.7% in 2024, down from 5.2% this year.

#### Markets

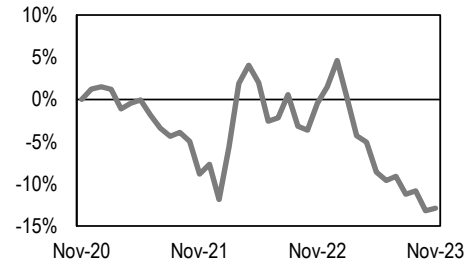
- Share market performance was exceptional for November. The S&P 500 rose by 8.9%, while the Australian S&P 200 gained 4.5% on a price basis.
- Global shares ex-Australia performed very well during November, producing a return of 4.4% on an unhedged basis. The result was even better for hedged global shares, gaining 8.0%.
- Both in Australia and Globally, Growth and Small Caps were the best performing styles for the month.
- Within Fixed income markets, both Australian government bonds and credit gained ground for the month. The main Australian fixed interest index, the Bloomberg AusBond Composite 0+ Years Index was up 3.0%, while the Bloomberg AusBond Credit 0+ Years Index gained 1.8% for the month.
- Global High Yield bonds, as measured by the Bloomberg Barclays Global High Yield Total Return Index Hedged into AUD had a great month, gaining 4.4% for November.

#### 1. S&P/ASX 200 Price Index



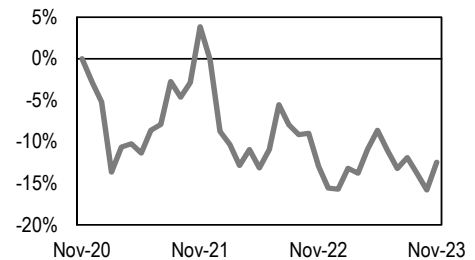
Source: FactSet, Insignia Financial

#### 2. ASX200 vs All-World, US\$ terms



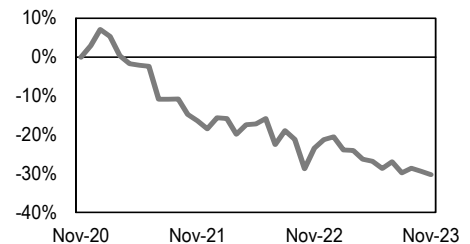
Source: FactSet, Insignia Financial

#### 3. Australia – Growth vs Value stocks



Source: FactSet, Insignia Financial

#### 4. Emerging markets vs Developed Markets, (In USD)



Source: FactSet, Insignia Financial

## Sector and stock returns – November 2023

ASX/S&P 200 Sectors (GICS)				
	Monthly	% Δ	Quarterly	% Δ
▲	Consumer Discretionary	4.68	Consumer Discretionary	-4.26
▼	Consumer Staples	-0.88	Consumer Staples	-6.92
▼	Energy	-7.41	Energy	-11.05
▲	Financials ex Property	4.15	Financials ex Property	-2.88
▲	Financials	4.12	Financials	-1.38
▲	Health Care	11.69	Health Care	-3.51
▲	Industrials	6.58	Industrials	-4.08
▲	IT	7.27	IT	-8.78
▲	Materials	4.89	Materials	0.21
▲	Property Trusts	11.00	Property Trusts	-4.59
▲	Telecommunications	2.80	Telecommunications	-4.21
▼	Utilities	-6.03	Utilities	-7.25

Source: FactSet, Insignia Financial

Best and Worst S&P/ASX 200 Performers			
Top five stocks (%)		Bottom five stocks (%)	
<b>Monthly</b>			
Block, Inc. Shs CDIs	+58.8	Core Lithium Ltd	-22.2
Neuren Pharmaceuticals Limited	+44.6	Karoon Energy Ltd	-19.4
IRESS Limited	+40.9	Chalice Mining Limited	-15.1
Cromwell Property Group	+37.5	Liontown Resources Limited	-14.6
Centuria Capital Group	+27.9	AGL Energy Limited	-12.3
<b>Quarterly</b>			
Champion Iron Ltd.	+24.8	Chalice Mining Limited	-57.4
Ramelius Resources Limited	+24.4	Liontown Resources Limited	-49.4
Neuren Pharmaceuticals Limited	+23.2	Star Entertainment Group Limited	-43.2
Pro Medicus Limited	+20.6	Healius Limited	-42.1
Regis Resources Limited	+20.4	Sayona Mining Ltd.	-40.0

Source: FactSet, Insignia Financial

## Share Markets, Returns

	30 Nov 2023 Price	1M return (%)	31 Aug 2023 Price	3M return (%)
<b>Australian Indices</b>				
▲ S&P/ASX 200	7087	4.52	7305	-2.98
▲ All Ordinaries	7298	4.74	7518	-2.93
▲ Small Ords	2739	6.92	2847	-3.81
<b>US Indices</b>				
▲ S&P 500	4568	8.92	4508	1.33
▲ Dow Jones	35951	8.77	34722	3.54
▲ Nasdaq	14226	10.70	14035	1.36
<b>Asia Pacific Indices</b>				
▼ Hang Seng	17043	-0.41	18382	-7.29
▲ Nikkei 225	33487	8.52	32619	2.66
<b>UK &amp; Europe Indices</b>				
▲ FTSE 100	7454	1.80	7439	0.20
▲ CAC40	1363	4.88	1342	1.60
▲ DAX Index	16215	9.49	15947	1.68

Sources: FactSet, MSCI, FTSE, S&P, Insignia Financial

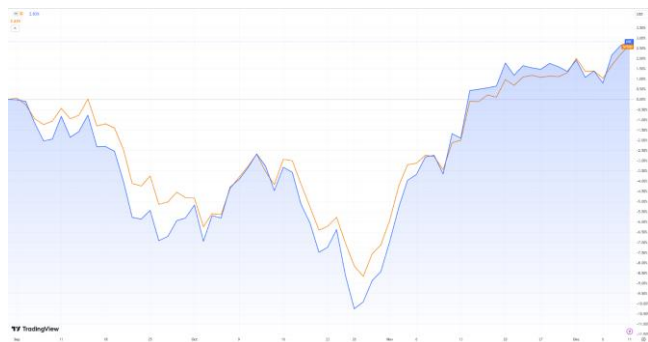
Note: return is reported on a price basis and in local currency terms e.g., S&P500 performance is in US dollars and excluding dividends.

Equity markets rose in their local currency in November.

European Markets were mixed the UK was anaemic, while the German Dax Index outperformed the S&P in local currency.

Both the S&P 500 and the Nasdaq Composite felt the pain of the recent rise in the US 10-year treasury yields between July to October. As the Nasdaq with its higher allocation to future earnings growth potential declined more during this period it is only fitting that the Nasdaq also rose the most as the market touched their recent lows on 26 October and rallied strongly as US bond yields reversed course and began factoring in when and how much yields will decline over 2024.

### S&P500 v Nasdaq Composite: 3 mths to 30/11/2023.



Source: tradingview.com. Accessed 12/12/2023.

Returns to 30 Nov 2023	1-mth	3-mth	6-mth	1-yr
<b>MSCI World Index</b>	<b>8.3%</b>	<b>1.7%</b>	<b>8.7%</b>	<b>12.8%</b>
Value	6.3%	0.9%	8.0%	3.4%
Value-Weighted	6.9%	1.9%	9.4%	10.1%
Momentum	7.8%	3.0%	10.8%	4.3%
Growth	10.2%	2.3%	9.4%	22.5%
Quality	8.2%	1.8%	9.7%	20.1%
Low volatility	4.4%	1.3%	4.3%	2.8%
Equal weight	7.6%	0.0%	6.1%	7.1%
Small caps	8.3%	-1.5%	5.6%	3.6%

Source: FactSet, Insignia Financial, MSCI

Global equities rebounded nicely in local currencies with even the lowest performing sub-category, Low Volatility, still delivered a robust 4.4% in November.

Growth and quality delivered strong returns as market interest rates pivoted from higher for longer into the outlook for next year and when and by how much interest rates should decline.

Small Caps participated strongly as the wider market enjoyed an expansion of breadth in November. A stark contrast with the Magnificent Seven stocks driving the market for most of the year.

### Australian equity markets

The Australian market, as measured by the S&P/ASX 200 Index rose 4.5% in November, while the slightly larger market cap MSCI index rose slightly higher 4.9%.

Returns to 30 Nov 2023	1-mth	3-mth	6-mth	1-yr
<b>MSCI Australia Index</b>	<b>4.9%</b>	<b>-1.1%</b>	<b>3.4%</b>	<b>2.9%</b>
Value	3.4%	0.0%	6.3%	4.0%
Value-Weighted	3.7%	-0.8%	5.5%	4.2%
Momentum	3.7%	0.6%	5.4%	1.3%
Growth	6.4%	-2.3%	0.5%	1.8%
Quality	5.1%	-1.2%	4.9%	8.9%
Low volatility	4.5%	-1.0%	2.0%	5.2%
Equal weight	4.6%	-3.7%	-0.2%	4.5%
Small caps	5.7%	-4.7%	-1.6%	-4.5%

Source: FactSet, Insignia Financial, MSCI

Similar to our global counterparts, the MSCI Australia Index subcategories Growth, Quality and Smaller Companies led the way during the month.

## Fixed Income

Fixed Income	30 Nov 2023 Yield	1M mvt (bps)	31 Aug 2023 Yield	3M mvt (bps)
▲ Australian Cash rate	4.35	0.25	4.10	0.25
▼ 10-year Bond Yield	4.41	-0.52	4.03	0.38
▼ 3-year Bond Yield	4.01	-0.39	3.74	0.27
▲ 90 Day Bank Accepted Bills SFE-Day	4.68	0.05	4.33	0.35
▼ US 10-year Bond Yield	4.36	-0.54	4.09	0.27
▼ US 3-year Bond Yield	4.46	-0.43	4.53	-0.07
▼ US Investment Grade spread	1.40	-0.24	1.46	-0.06
▼ US High Yield spread	3.70	-0.67	3.72	-0.02

Source: FactSet, Insignia Financial

### Australian bond market

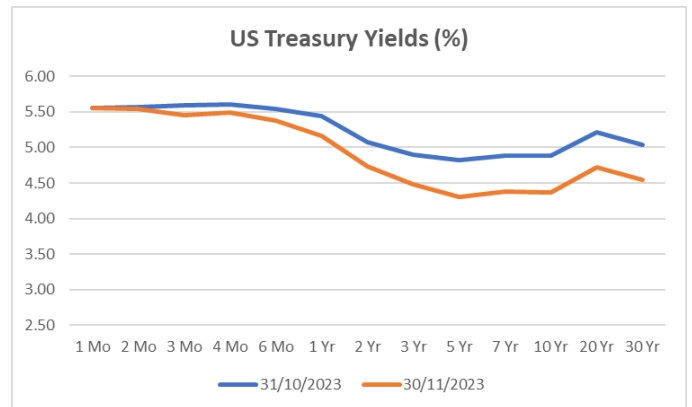
November was a great month for bonds. The main Australian Fixed Interest index, the Bloomberg AusBond Composite 0+ Years Index gained 3.0%. Australian yields declined markedly over the month, with the short end (3-year) of the curve falling by 39 basis points. At the long end of the curve, the 10-year yield fell by a very significant 52 basis points.

Australian corporate bonds also gained ground over the month, with the Bloomberg AusBond Credit 0+ Years Index gaining 1.8%.

The yield to maturity for the Bloomberg AusBond Composite 0+ Years Index at the end of November was approximately 4.5%, with the index having around 5 years duration.

### Global bond markets

During November, U.S. Government bond yields fell for all maturities except for 1 month. As can be seen in the following chart, the U.S. yield curve fell significantly at the middle to longer end of the curve, most notably for maturities of greater than or equal to 1 year.



Source: U.S. Department of the Treasury, accessed 04/12/2023

Core government bonds reversed some of their previous losses on the back of hopes for interest rate cuts next year. The 10-year U.S. government bond yield fell below 4.4% after having tested 5% in October, and despite Moody’s downgrade of the U.S. sovereign debt outlook to negative.

German Bunds and U.K. Gilts also saw significant yield declines, with the 10-year yields ending the month at 2.4% and 4.2% respectively (both down around 0.5% from their October highs).

Outside of sovereign bonds, the entire fixed income market benefited from lower yields and further expected rate cuts in 2024. Investment grade bonds gained, and rising hopes for a soft landing supported high yield bonds where spreads tightened. Emerging market debt instruments also had a positive month thanks to more accommodative local central bank policy and a weaker U.S. dollar.

## Currencies

Currency	30 Nov 2023 Price	1M return (%)	31 Aug 2023 Price	3M return (%)
▲ \$A vs \$US	0.66	4.22	0.65	1.88
▲ \$A vs GBP	0.52	0.34	0.51	2.29
▲ \$A vs YEN	97.89	1.84	94.35	3.75
▲ \$A vs EUR	0.61	1.25	0.60	1.49
▼ \$A vs \$NZ	1.07	-1.37	1.09	-1.26
▼ \$US vs EUR	0.92	-2.88	0.92	-0.41
▼ \$US vs CNY	7.13	-2.56	7.26	-1.78
▼ \$US vs GBP	0.79	-3.71	0.79	0.38
▼ \$US vs JPY	148.20	-2.28	145.54	1.83
▼ \$US vs CHF	0.88	-3.84	0.88	-0.91
▼ US Dollar Index	103.50	-2.97	103.62	-0.12

Source: Bloomberg, Insignia Financial

The Australian Dollar enjoyed a positive November rising strongly (+4.22%) against the US Dollar and modestly against the Yen (1.84%) and Euro (1.25%). Although, part of the driver of the AUD success is actually some easing in the US Dollar during November. Market participants have now begun to focus on 2024 and when and by how much interest rates should decline.

The UK Pound was also a standout in November as the higher core inflation rate of the country suggested that the US Treasury interest rates could ease earlier and by a larger amount in 2024 than UK rates. This possibility saw the USD fall -3.71% against the Pound.

### AUD v's USD 3 mths to 30 November 2023.



Source: tradingview.com. Accessed 12/12/2023.

## Commodities

Commodity	30 Nov 2023 Price	1M return (%)	31 Aug 2023 Price	3M return (%)
▼ Aluminium	2158	-3.47	2166	-0.37
▲ Copper	8332	3.66	8360	-0.33
▼ Nickel	16335	-8.36	20225	-19.23
▲ Zinc	2478	1.87	2413	2.72
▼ Crude Oil - Brent	80.93	-6.78	87.29	-7.29
▼ Natural Gas	2.80	-21.62	2.77	1.23
▲ Metallurgical Coal	132	3.73	159	-16.62
▼ Thermal Coal	142	-12.53	141	1.06
▲ Iron Ore	130.46	9.71	109.40	19.25
▲ Gold	2037	2.67	1940	4.98
▲ Silver	25	10.64	24	3.40

Source: Bloomberg, Insignia Financial

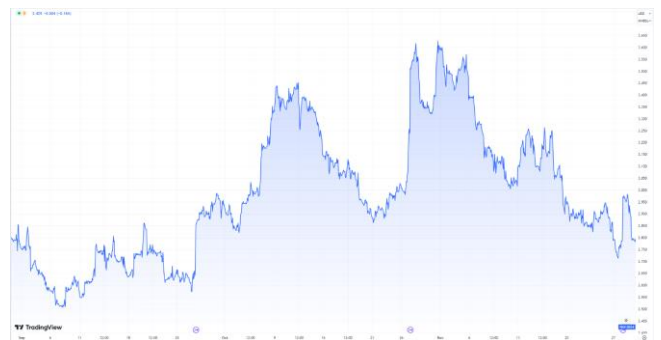
Commodities were mixed in November.

Gold rose in USD terms but as the US Dollar weakened against the AUD, Gold declined in AUD terms in November. The continued middle eastern warring also supports the safe haven asset.

Iron ore enjoyed a positive month, shrugging off the Chinese property crisis. Copper is continuing to hold up well as demand for the metal is supported by a myriad of green technologies, wind and solar technology, energy storage, and electric vehicles.

Within the energy component, natural gas prices gave back last month's gains after concerns dissipated that Iran might become involved in the Israel Hamas conflict. Crude oil also eased after last month's gains.

### Natural Gas continuous contract: 3 mths to 30 Nov.



Source: tradingview.com. Accessed 12/12/2023.

## Australia

**Interest rates were maintained after a Melbourne Cup warning not to overspend this holiday. October Retail Sales seem to concur as consumers await the end of year discounts. The Labour Market remains robust however Purchasing Managers' Indices of business activity remains weak.**

### Monetary Policy

After raising rates by 0.25% on Melbourne cup day, the RBA maintained its cash rates at 4.35% during its pre-Christmas meeting. RBA Governor Michele Bullock reminded us that last month's interest rate rise was necessary to help get inflation back to target. The RBA sees rising service costs and domestic demand as drivers of slower than desired easing inflation. The clear warning is not to overspend this holiday season.

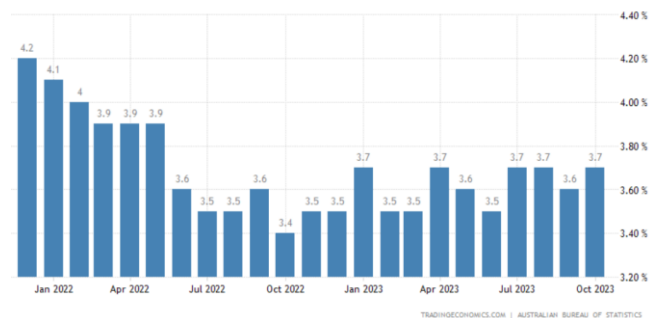
### Inflation

The monthly Consumer Price Index (CPI) indicator in Australia increased by 4.9% in the year to October, slowing from September's five-month-high of 5.6% and below forecasts of 5.2%. It was the first decline in annual inflation since July, due mainly to softer rises in both transport prices (5.9% vs 9.4% in Sept) and housing (6.1% vs 7.2%). Also, inflation eased for furnishings, household equipment & services (0.4% vs 2.3%), and recreation & culture (2.7% vs 3.5%). Meanwhile, inflation of food & non-alcoholic beverages accelerated (5.3% vs 4.7%). In addition, clothing and footwear prices fell much faster (-1.5% vs -0.1%). The monthly CPI indicator excluding volatile items and travel came in at 5.1% in October (5.5% in Sept).

### Labour Market

Australia's seasonally adjusted unemployment rate inched up to 3.7% in October, a slight acceleration from September's 3.6%, and in line with consensus. Unemployed individuals increased by 27.9 thousand to 547.8 thousand, with those seeking full-time jobs rising by 31.5 thousand to 369.4 thousand. Employment surged by 55 thousand to 14.17 million, surpassing market forecasts of a 20 thousand gain and jumping from a 7.8 thousand rise in September. Part-time employment increased by 37.9 thousand to 4.34 million, while full-time employment grew by 17 thousand to 9.83 million. The participation rate rose to 67.0% from the previous 66.8%, exceeding forecasts of 66.7%.

### Unemployment Rate: Nov 2021 to Oct 2023



Source: Tradingeconomics.com, ABS. Accessed 15/11/2023

### Retail Sales

Retail sales in Australia dropped by -0.2% month-over-month in October, coming after a 0.9% increase in the prior month. This was the first decline in retail trade since June, as consumers hit the pause button on some discretionary spending and awaited Black Friday sales events. Sales were lower for most categories, namely household goods retailing (-0.6% vs 1.7% in Sept), clothing & footwear (-1.0% vs 0.2%), department stores (-0.6% vs 1.7%) and cafes, restaurants & takeaway food (-0.4% vs -0.3%). By contrast, sales of food retailing eased (0.5% vs 1.0%). Across the country, sales saw the largest decline in Victoria (-0.8%) and New South Wales (-0.5%), while W.A (0.8%) and Queensland (0.6%) rose in October.

### Purchasing Manager Index

The Judo Bank Australia Composite PMI fell to 46.2 in November from 47.6 a month earlier. It signalled a sharper decline in Australia's private sector output. The downturn was primarily driven by a faster decline in services activity as manufacturing output fell at a shallower pace in November. On the demand front, both manufacturing and service sectors recorded sharper contractions in new orders as conditions remained weak. Employment levels continued to rise, supported by job creation in the service sector, manufacturing headcounts dipped for the first time since October 2020. Finally, price pressures intensified with higher rates of input cost and output price inflation observed. Higher service sector inflation contrasted with easing goods price inflation. Overall optimism also declined amid concerns over high prices and the economic outlook.

## United States

**The latest job openings out of the U.S. surprised to the downside after surprising to the upside the previous month. Inflation fell to 3.2%, down from 3.7%, which was slightly below market expectations of 3.3%.**

### Growth / Economic Activity

The Conference Board Leading Economic Index (LEI) for the U.S. fell by 0.8% in October 2023 to 103.9 (2016=100), following a decline of 0.7% in September. The LEI contracted by 3.3% over the six-month period between April and October 2023, a smaller decrease than its 4.5% contraction over the previous six months (October 2022 to April 2023).

“The U.S. LEI trajectory remained negative, and its six- and twelve-month growth rates also held in negative territory in October,” said Justyna Zabinska-La Monica, Senior Manager, Business Cycle Indicators, at The Conference Board. “Among the leading indicators, deteriorating consumers’ expectations for business conditions, lower ISM Index of New Orders, falling equities, and tighter credit conditions drove the index’s most recent decline. After a pause in September, the LEI resumed signalling recession in the near term. The Conference Board expects elevated inflation, high interest rates, and contracting consumer spending, due to depleting pandemic saving and mandatory student loan repayments, to tip the U.S. economy into a very short recession. We forecast that real GDP will expand by just 0.8% in 2024.”

### Labour Market

The number of job openings decreased by 617,000 from the previous month to 8.733 million in October 2023, marking the lowest level since March 2021 and falling below the market consensus of 9.3 million. During the month, job openings decreased in health care and social assistance (-236,000), finance and insurance (-168,000), and real estate and rental and leasing (-49,000). On the other hand, job openings increased in information (+39,000). Regarding regional distribution, job openings fell in the South (-289,000), the Midwest (-193,000), the West (-83,000) and the Northeast (-52,000).

The ISM Non-Manufacturing Employment in the United States increased to 50.70 points in November from 50.20 points in October of 2023. ISM Non-

Manufacturing Employment in the United States averaged 51.77 points from 1997 until 2023, reaching an all-time high of 60.30 points in January of 2018 and a record low of 29.30 points in April of 2020.

### Inflation

The annual inflation rate in the U.S. slowed to 3.2% in October 2023 from 3.7% in both September and August, and below market forecasts of 3.3%. Energy costs dropped 4.5% (vs -0.5% in September), with gasoline declining 5.3%, utility (piped) gas service falling 15.8% and fuel oil sinking 21.4%. Additionally, prices increased at a softer pace for food (3.3% vs. 3.7%), shelter (6.7% vs. 7.2%) and new vehicles (1.9% vs. 2.5%) and continued to decline for used cars and trucks (-7.1%). On the other hand, prices rose faster for apparel (2.6% vs. 2.3%), medical care commodities (4.7% vs. 4.2%), and transportation services (9.2% vs. 9.1%). Compared to September, the CPI was unchanged, the least in fifteen months, and below forecasts of a 0.1% rise, as lower gasoline prices (-5.0%) offset increases in prices for shelter (0.3%), natural gas (1.2%) and food (0.3%). Meanwhile, the core CPI rose 4.0% on the year and 0.2% on the month, below forecasts of 4.1% and 0.3% respectively.

### Interest Rates / Fed Policy

In a speech on 1 December 2023, Federal Reserve Chairman Jerome Powell pushed back on market expectations for aggressive interest rate cuts ahead, calling it too early to declare victory over inflation.

Despite a string of positive indicators recently regarding prices, the central bank leader said the Federal Open Market Committee plans on “keeping policy restrictive” until policymakers are convinced that inflation is heading solidly back to 2%.

“It would be premature to conclude with confidence that we have achieved a sufficiently restrictive stance, or to speculate on when policy might ease,” Powell said in prepared remarks for an audience at Spelman College in Atlanta. “We are prepared to tighten policy further if it becomes appropriate to do so.”

However, he also noted that policy is “well into restrictive territory” and noted that balance of risks between doing too much or too little on inflation are close to balanced now.



## China

**China's economy continues to struggle deflationary pressures and a property crisis that is dragging both housing prices and consumer sentiment with it. The shining light this month is Retail sales, however it comes off of last year's lows.**

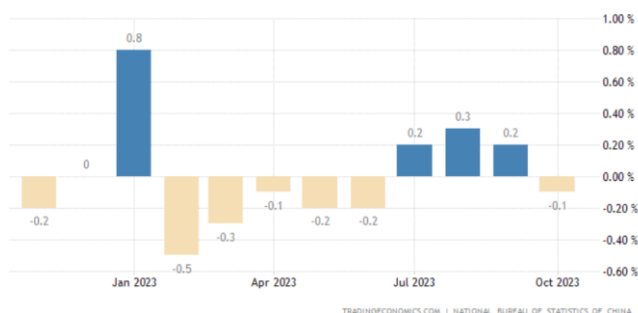
### Monetary Policy

The People's Bank of China (PBoC) maintained the current interest rates during November.

### Inflation

China's consumer prices dropped by -0.2% yoy in October, compared with a 0.0% in September and forecasts of -0.1%. The drop was due to ample supply of agriculture products (good weather) and a fall in consumption at the start of October. Food prices declined (-4% vs -3.2% in Sept). Non-food inflation was unchanged (at +0.7%), as cost continued to rise for clothing (1.1% vs 1.1%) and health (1.3% vs 1.3%), while prices for transport fell at a slower rate (-0.9% vs -1.3%). Core consumer prices, increased by +0.6% yoy in October. Monthly, the CPI fell -0.1%, from +0.2% rise in September and below expectations of a 0.0%.

### China Inflation Rate (MoM) Nov 2022 – Oct 2023



Source: Tradingeconomics.com, National Bureau of Statistics of China, Accessed 5/12/2023

### Retail Sales

China's retail sales surged by 7.6% yoy in October from a 5.5% increase in September and beating forecasts of 7.0%. Sales showed significant increases across various sectors, including communications equipment (14.6% vs 0.4% in Sept), autos (11.4% vs 2.8%), gold, silver, & jewellery (10.4% vs 7.7%), home appliances (9.6% vs -2.3%) and office supplies (7.7% vs -13.6%). However, growth slowed for grain & food oil (4.4% vs 8.3%) and clothing (7.5% vs 9.9%).

## Industrial Production

China's industrial production expanded by 4.6% yoy in October, coming in above September (4.5%) and above expectations of 4.4%. Mining production increased (2.9% vs 1.5% in Sept) and manufacturing remained strong (5.1% v 5.0%). Production jumped for non-ferrous metals (12.5% vs 8.4%) and textiles (2.0% vs 0.8%). Electrical machinery (9.8% vs 11.5%) and chemicals (12.1% vs 13.4) both remained strong.

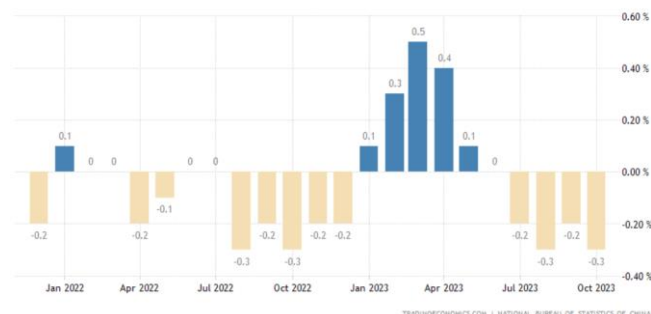
### Employment

China's surveyed urban unemployment rate was 5% in October 2023, the same as in the previous month. The surveyed unemployment rate of the population with local household registration was 5%, and that of the population with non-local household registration was 4.9%. The jobless rate in 31 large cities and towns edged down to 5% in October from 5.2% in September.

### Housing

China's new home prices dropped by 0.1% year-on-year in October, as demand remained sluggish. Among the major Chinese cities, prices continued to fall in Shenzhen (-2.8% vs -3.0% in Sept) and Guangzhou (-2.0% vs -1.7%), while those in Beijing rose at a slower pace (2.1% vs 2.9%). Upward pressure was observed in Chongqing (2.2% vs 1.7%) & Tianjin (0.9% vs 0.6%). Monthly, new home prices shrank by 0.3% in October.

### New House Prices (MoM) Nov 2021 – Oct 2023



Source: Tradingeconomics.com, National Bureau of Statistics of China, Accessed 5/12/2023

### Trade

China's trade surplus in October narrowed sharply to US\$56.53 bln from US\$82.35 bln in the same period last year, far below market forecasts of US\$82 bln. Exports dropped by -6.4%, worse than forecasts of -3.3%, while imports unexpectedly grew by 3% easily beating market expectations of a -4.8%. The trade surplus with the United States narrowed to US\$30.82 bln in October from US\$33.119 bln in September.



## Europe

**The euro area seasonally adjusted unemployment rate was flat at 6.5% in October 2023, but remains close to the record low of 6.4%, which was recorded in August. The inflation rate in the Euro Area declined to 2.4% year-on-year in November 2023, reaching a new lowest level since July 2021.**

### Growth / Economic Activity

The European Commission's most recent Autumn Forecast projects GDP growth to be down to 0.6% for 2023 in both the E.U. and the Euro Area, 0.2% below the Commission's summer forecast.

However, economic activity is expected to accelerate in the coming year, as consumption recovers on the back of a robust labour market, wage growth and an easing of inflation.

Furthermore, investment is projected to increase further, supported by overall solid corporate balance sheets and by the Recovery and Resilience Facility.

As such, E.U. GDP growth is forecast to rise to 1.3% in 2024. In the Euro Area, GDP growth is projected to be slightly lower, at 1.2%.

Looking further forward to 2025, growth is expected to strengthen to 1.7% for the E.U. and 1.6% for the Euro Area, with inflationary pressures and monetary tightening subsiding.

### Inflation

The inflation rate in the Euro Area declined to 2.4% year-on-year in November 2023, reaching its lowest level since July 2021 and falling below the market consensus of 2.7%, a preliminary estimate showed. Meanwhile, the core rate, which excludes volatile food and energy prices, also cooled to 3.6%, marking its lowest point since April 2022 and coming in below forecasts of 3.9%. Energy costs tumbled by 11.5% (vs -11.2% in October), and the rates of inflation eased for services (4.0% vs 4.6%), food, alcohol, and tobacco (6.9% vs 7.4%), and non-energy industrial goods (2.9% vs 3.5%). On a monthly basis, consumer prices fell by 0.5% in November, the largest monthly decline since January 2020.

### Labour Market

According to Eurostat, the euro area seasonally adjusted unemployment rate stood at 6.5% in October

2023, unchanged from the prior month and matching market forecasts. The number of unemployed people rose by 48,000 from a month earlier to an eight-month high of 11.134 million. Meanwhile, the youth unemployment rate, measuring jobseekers under 25 years old, increased to an over one-year high of 14.9% in October 2023, up from 14.6% in September. Amongst the largest Euro Area economies, the highest jobless rates were recorded in Spain (12.0%), Italy (7.8%) and France (7.3%), while the lowest rate was registered in Germany (3.1%). A year earlier, the jobless rate was higher at 6.6%.

### Policy

In a speech by Christine Lagarde, President of the ECB, at the Hearing of the Committee on Economic and Monetary Affairs of the European Parliament on 27 November, it was stated that, "In October we decided to keep the key ECB interest rates unchanged, and we expect that maintaining interest rates at current levels for a sufficiently long duration will make a substantial contribution to restoring price stability."

"Our future decisions will ensure that policy rates are set at sufficiently restrictive levels for as long as necessary. The appropriate level and duration of restriction will continue to be determined in a data-dependent manner, assessing the inflation outlook, the dynamics of underlying inflation and the strength of monetary policy transmission."

The Governing Council will reassess its monetary policy stance in mid-December, informed by new data and updated projections, including for 2026.

On monetary policy, the ECB remains determined to ensure the timely return of inflation to their 2% medium-term target.

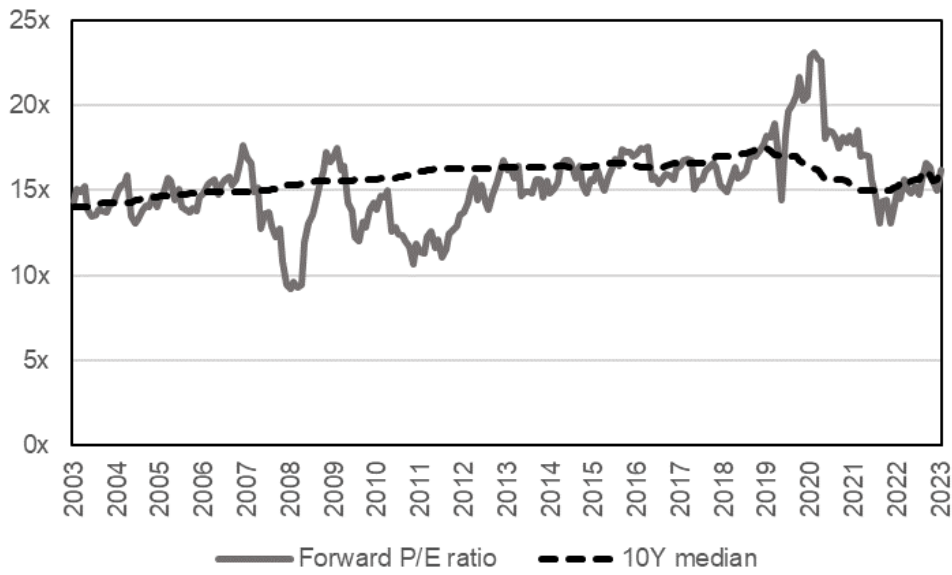
## Economic Scorecard – As of 4 December 2023

The below summarises the current position of major markets across Growth, Inflation, Interest Rates and Currencies. It also provides Insignia Research’s view on the likely direction of these economic indicators over the next 12 months. **Please note that these views are not guarantees, and a range of factors could impact their direction such that the end outcomes are different to our predictions.**

	USA			Australia			EuroZone			China		
	Current	Direction	1 year forward	Current	Direction	1 year forward	Current	Direction	1 year forward	Current	Direction	1 year forward
<b>Growth (Latest Qtr Nominal GDP)</b>	1.3% (Above trend)	Moderating	Below trend / Recession	0.4% (Below trend)	Moderating	Below trend / Recession	-0.1% (Below trend)	Weakening	Recession / Below trend	1.3% (About trend)	Moderating	Below trend / Recession
<b>Inflation (Headline CPI)</b>	3.2% (Above target)	Slowly falling	Very slightly above target	5.4% (Significantly Above target)	Falling	Lower, but still potentially above target	2.4% (Slightly above target)	Fairly Flat	Likely top of target range	-0.2% (Below target)	Slowly returning towards trend	Target / Slightly below target
<b>Interest Rates (official cash rate or equivalent)</b>	5.25%-5.50%	Marginal decrease	5.00%-5.25%	4.35%	Flat	4.35% (Stable)	4.50%	Marginal decrease	4.25%	3.45%	Reducing	3.00%
		<b>AUD/USD</b>										
<b>Currencies (relative PPP basis)</b>	0.668 (PPP 0.705) less than 1 Std Dev	Risk off	Still within fair value range									

## Market valuations (Forward P/E vs 10Y median Forward P/E)

Australian Shares Forward P/E – spot vs trailing 10Y median (November-13 to November-23)



Sources: FactSet, MSCI, S&P (November 2023)

Australian Shares based on the S&P/ASX 200 Index.

## Performance as of 30 November 2023

		Annualised									
		1-mth	3-mth	6-mth	1-yr	3-yr	5-yr	7-yr	10-yr	15-yr	20-yr
<b>Shares</b>	Australia	5.0%	-1.8%	2.0%	1.5%	7.1%	8.7%	8.1%	7.3%	8.9%	8.6%
	Australia - mid cap	5.4%	-6.5%	-2.6%	-3.9%	5.8%	9.9%	9.8%	10.9%	10.4%	9.5%
	Australia - small cap	7.0%	-2.9%	-0.7%	-3.2%	-0.5%	4.0%	5.4%	5.5%	6.5%	5.4%
	Australia - micro cap	3.7%	-5.9%	-3.9%	-9.7%	2.3%	10.8%	7.3%	7.3%	8.1%	-
	World ex Australia	4.4%	-0.7%	6.2%	14.4%	10.9%	12.2%	12.2%	12.0%	10.5%	8.3%
	World ex Australia (Hedged)	8.0%	1.1%	7.8%	11.0%	7.1%	8.8%	9.6%	9.3%	11.8%	9.1%
	World - small cap	4.4%	-5.0%	1.8%	3.0%	5.8%	7.7%	8.3%	9.5%	10.9%	8.5%
	Emerging Markets	3.1%	-1.3%	2.1%	5.3%	-0.6%	4.3%	6.1%	5.4%	6.7%	7.5%
<b>Property &amp; Infrastructure</b>	A-REITS	11.0%	-4.4%	1.4%	1.1%	2.0%	4.1%	4.9%	7.8%	7.4%	5.3%
	Global REITs	5.6%	-3.4%	-0.3%	-1.6%	2.9%	1.8%	3.3%	6.0%	-	-
	Global REITs (hedged)	9.0%	-1.7%	1.5%	-4.2%	-0.1%	-0.9%	1.3%	3.7%	8.2%	-
	Global infrastructure	3.2%	-1.1%	-2.0%	-3.3%	6.4%	6.4%	7.6%	9.0%	-	-
	Global infrastructure (Hedged)	6.4%	0.7%	-0.9%	-6.6%	2.4%	3.5%	5.3%	6.6%	9.8%	-
<b>Fixed income</b>	Australia Total Market	3.0%	-0.5%	-1.2%	0.2%	-3.6%	0.4%	1.2%	2.4%	3.6%	4.4%
	Australia government bonds	3.3%	-0.7%	-1.6%	-0.5%	-4.1%	0.2%	1.0%	2.3%	3.4%	4.3%
	Australia corporate bonds	1.8%	0.5%	1.2%	4.0%	-1.4%	1.8%	2.4%	3.2%	4.6%	5.0%
	Australia floating rate bonds	0.5%	1.2%	2.6%	4.9%	2.0%	2.2%	2.4%	2.7%	3.7%	4.1%
	Global Total Market (Hedged)	3.2%	0.5%	0.0%	0.9%	-4.0%	0.2%	0.7%	2.3%	4.3%	5.0%
	Global government bonds (Hedged)	2.8%	0.4%	-0.3%	0.4%	-4.0%	0.0%	0.6%	2.3%	3.9%	-
	Global corporate bonds (Hedged)	4.4%	1.1%	1.1%	2.5%	-4.6%	0.8%	1.3%	2.7%	5.8%	-
	Global high yield bonds (Hedged)	4.4%	2.2%	5.6%	7.5%	-0.7%	2.0%	2.6%	3.9%	10.3%	7.7%
<b>Cash</b>	Bloomberg AusBond Bank Bill Index	0.3%	1.0%	2.1%	3.8%	1.6%	1.4%	1.5%	1.8%	2.5%	3.5%

Sources: FactSet, Lonsec

## Appendix – Index sources

Asset class	Index
Australian equities (S&P/ASX 200)	S&P/ASX 200 Accumulation Index
Australian equities - Mid caps	S&P/ASX Accumulation Midcap 50 Index
Australian equities - Small caps	S&P/ASX Accumulation Small Cap Ordinaries Index
Australian equities - Micro caps	S&P/ASX Emerging Companies Total Return Index
International equities	MSCI World ex Australia Net Total Return (in AUD)
International equities (Hedged)	MSCI World ex Australia Hedged AUD Net Total Return Index
International equities - Small caps	MSCI World Small Cap Net Total Return USD Index (in AUD)
Emerging Markets equities	MSCI Emerging Markets EM Net Total Return AUD Index
Australian REITs	S&P/ASX 200 A-REIT Accumulation Index
Global REITs	FTSE EPRA/NAREIT Developed Index Net Total Return (in AUD)
Global REITs (Hedged)	FTSE EPRA/NAREIT Developed Index Net Total Return (Hedged to AUD)
Global Infrastructure	FTSE Global Core Infrastructure 50/50 Net Total Return in AUD
Global Infrastructure (Hedged)	FTSE Global Core Infrastructure 50/50 100% Hedged to AUD Net Tax Index
Australian bonds	Bloomberg AusBond Composite 0+ Yr Index
Australian bonds – government	Bloomberg AusBond Govt 0+ Yr Index
Australian bonds – corporate	Bloomberg AusBond Credit 0+ Yr Index
Australian bonds - floating rate	Bloomberg AusBond Credit FRN 0+ Yr Index
Global bonds (Hedged)	Bloomberg Barclays Global Aggregate Total Return Index Value Hedged AUD
Global bonds - government (Hedged)	Bloomberg Barclays Global Aggregate Treasuries Total Return Index Hedged AUD
Global bonds - corporate (Hedged)	Bloomberg Barclays Global Aggregate Corporate Total Return Index Hedged AUD
Global bonds - High Yield (Hedged)	Bloomberg Barclays Global High Yield Total Return Index Hedged AUD
Cash (AUD)	Bloomberg AusBond Bank Bill Index

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