Crystal Wealth Partners Market Commentary – November 2024

Please find our commentary on investment markets to 30th November 2024.

November saw financial markets focus firmly on the outcome of the US Presidential election, with Donald Trump conclusively winning power. The President-elect wasted no time hinting at disruptions to the status quo and initially US Treasury yields spiked while US equities rose given his stated economic agenda. However, uncertainty will persist around the implications of the election and what it will mean for global economies and the path of interest rates as policies are implemented and key personnel are appointed.

Outside the election, the narrative remains focused around the 'soft landing' scenario, particularly led by the US. Central banks in the US, UK, Sweden and New Zealand continued to lower interest rates in November, with many expecting further monetary policy normalisation in coming months. It is important to note that while recession risks have dimmed for now there are other risks in the form of elevated market valuations and heightened geopolitical risk to consider. Inflation remains a core focus for markets as it will drive interest rate expectations and hence pricing of risk assets as well.

US Markets

The headline story for November was the rather quick presidential election outcome, with Donald Trump retaking control of the White House and Republicans sweeping to majorities in both chambers of Congress. This means President-elect Trump's campaign policies (lower company taxes, higher tariffs and government deregulation) have a higher chance of passing Congress (depending how many Republicans are on board).

US economic data continued to paint a resilient picture of the world's largest economy. GDP for the third quarter showed an annualised growth rate of 2.8%, while inflation data was in line with expectations. Personal income rose above expectations while spending ticked higher. Labour data remained consistent with a normal, though slowing, labour market. The Federal Reserve continued to normalise monetary policy, with the open market committee voting unanimously at the November meeting to cut the target policy range by 25 basis points to 4.50%-4.75%. Chairman Powell continued to reiterate that policy was data dependent and future rate decisions will be made on a meeting-by-meeting basis. Currently, investors are pricing in a 60% chance of a further 25 basis point reduction in December.

As a result of the surprisingly conclusive election and optimism around Trump's economic agenda on corporate earnings and growth, US equities moved broadly and sharply higher, with the S&P500 posting its best month of 2024, rising almost 6%, to close the month at a new all-time high. The technology and growth dominated NASDAQ100 and the Dow Jones Industrial Average also moved higher in November, up 5.2% and 7.5% respectively. All eleven sectors gained ground in November, with Consumer Discretionary the best performer, rising 13.3%. Healthcare was the laggard, up 0.3% as a result of Trump's Health and Human Services cabinet nominee (and previous 'anti-vaxxer'), Robert F Kennedy Jr.

November also saw S&P500 corporate earnings for Q3 continue to be released. According to Bloomberg, the average upside beat was almost 7% for the quarter while the earnings growth rate stood at 8.17% (year-on-year). Factset notes analysts are predicting low double-digit earnings growth for Q4 2024 and expectations of double-digit earnings growth for calendar year 2025.

US Treasury yields rose initially after Trump won the US Presidency as his economic agenda was perceived to be more inflationary. However, yields declined on Trump's Treasury Secretary nominee (Scott Bessent, a hedge fund manager) as investors perceive him to be a moderating influence on Trump's trade and economic policies. By the end of the November, the US 10-year Treasury yield was actually 12 basis points lower continuing the year's trend of trading within a range.

World Markets

Eurozone inflation accelerated for a second consecutive month in November, increasing to an annual rate of 2.3% (up from 2% the previous month). This increase, however, was expected as last year's decline in energy prices rolled off in the annual rates. Services inflation moved marginally lower, while core inflation remained steady. As a result, the European Central Bank (ECB) rate cut expectations in markets remain unfazed, with another interest rate cut anticipated in December. Economic activity remains weak in the region, with data out of Germany highlighting a struggling economy. Equity markets, however, were higher in Germany and the UK, with the DAX +2.88% and FTSE100 +2.18%. Political uncertainty in France and fears of US-imposed tariffs has dampened investor sentiment, with France's CAC40 underperforming, down 1.57% in November.

In Japan, Tokyo-area inflation came in at 2.2% year-on-year in November, higher than consensus expectations and up from 1.8% the previous month. The larger-than-expected inflation print has stoked speculation about the next interest rate hike by the Bank of Japan (BoJ), with forecasters split between December and January. BoJ Governor Ueda has repeatedly commented that interest rates will be increased if the economy and prices perform in-line with the central bank's forecasts. The Nikkei225 underperformed, falling 2.23% in November, while the yield on the 10-year Japanese government bond closed the month at 1.05%, 10 basis points higher following interest rate hike speculation.

Profits at industrial firms in China fell by 10% in October from a year ago, an improvement on past months' data. The slower decline was partly attributed to the government's support measures. The People's Bank of China injected RMB 900 billion into the banking system and left the lending rate unchanged at 2% as expected in November. Some believe the sharp increase in local government bond issuance will add to liquidity pressures in the banking system, and when combined with the threats of additional US tariffs, analysts anticipate that the government will implement further stimulus measures in 2025. The Shanghai Composite rose in November, up 1.42%. For a second consecutive month, the Hang Seng retreated, down 4.4% in November.

Australia

The Reserve Bank of Australia (RBA) left the cash rate unchanged at 4.35% at the November meeting, as widely expected. Central bank officials continue to emphasise that near-term rate cuts are unlikely given the resilience in the labour market and fears inflation would remain elevated or reaccelerate.

After a challenging and volatile October, local equities experienced a broadly stronger November with the S&P/ASX200 reaching a new all time high. The S&P/ASX200 rose 3.38% over the month largely boosted by the US election result and global 'risk on' sentiment. Only two of the eleven sectors closed November lower, with both Energy (-0.67%) and Materials (-2.6%) underperforming primarily due to ongoing concerns around China's economy. Information Technology was the best performing sector in November and year-to-date, jumping over 10% and having risen almost 57% so far in 2024. Small cap equities relatively underperformed mid and large cap counterparts, adding 1.32% in November.

Market pricing continues to show that investors are expecting the first 25 basis point RBA rate cut in May 2025, partly as a result of the central bank wanting to see two more quarterly inflation prints. However, a rate cut could occur sooner if the labour market deteriorates sharply. Australian 10-year bond yields fell 16 basis points in November, alongside declines in US yields.

Other Markets

Oil prices reached a high of USD$72 a barrel and a low of USD$67 a barrel in November before closing the month at USD$68 a barrel. The commodity continues to be somewhat supported by ongoing geopolitical tensions and expectations surrounding OPEC's supply and production output. It is anticipated that OPEC, at its upcoming December meeting, will delay a slight production increase for a third time amid concerns the market will be oversupplied next year. On the demand side, economic data and fiscal stimulus news and reactions from China has led to some short-term volatility in the price.

In a contrast to previous months, iron ore prices remained relatively range-bound throughout November, trading between USD$101 and USD$105 per tonne, driven by strong steel production in China. With China still the top consumer of the commodity, iron ores prices will likely continue to be driven by economic data and stimulus news out of that country.

Gold suffered its worst month in over a year, falling over 3.5% as "Trump euphoria" lifted the USD, stalling gold's rally and triggering a post-election sell-off in the metal. Ongoing geopolitical tensions in the Middle East and Ukraine has enhanced gold's appeal as a safe-haven asset throughout the year but the precious metal faced pressure in November as fears grew Trump's tariffs could stoke inflation and lead to the Federal Reserve delaying further rate cuts. It closed the month at USD$2,650 per/oz.

The AUD was weaker for the second consecutive month following a stronger USD and Trump's tariff concerns weighing on sentiment. The weakness in the local currency was also driven by ongoing concerns regarding the Chinese economy and disappointment around the Chinese government's lack of major stimulus announcements. Over the month, the AUD traded between USD$0.6454 and USD$0.6679 before closing November at USD$0.6512.

Index*	1 Month	3 Months
US – Dow Jones	7.54%	8.05%
US – Nasdaq (100)	5.23%	6.93%
US – S&P 500	5.73%	6.80%
Germany – DAX	2.88%	3.81%
UK – FTSE 100	2.18%	-1.07%
Shanghai Composite - SSE	1.42%	17.04%
Hong Kong- Hang Seng	-4.40%	7.97%
Japan – Nikkei 225	-2.23%	-1.14%
S&P/ASX 200	3.38%	4.25%
All Ordinaries Index	3.29%	4.60%
Gold (USD)	-3.51%	5.89%
Oil (USD) – WTI	-1.82%	-7.55%
Iron Ore (USD)	0.88%	6.38%
10 Year Aus Gov't Bonds (yield)	-3.23%	10.02%
10 Year US Gov't Bonds (yield)	-2.43%	6.86%
AUD/USD	-1.08%	-3.76%

* percentage change in local currency unless stated otherwise

If you have any questions in relation to the above, or require any additional information, please do not hesitate to contact your Adviser to discuss your particular circumstances.