Monthly Economic Wrap

October 2023

Summary

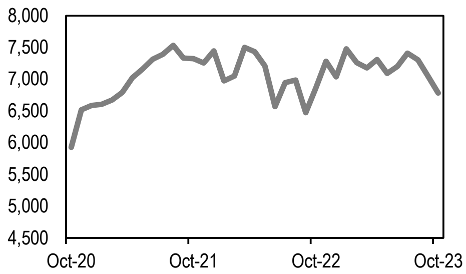
Economic

- According to the Conference Board, global real GDP is forecasted to grow by 2.9% in 2023, down from 3.3% in 2022. The Conference Board also expects further slowing to 2.5% in 2024. Economic growth is weighed down by still high inflation and continued monetary policy tightening. Looking ahead, the Conference Board expects relatively subdued economic growth over the short-term. Growth forecasts for 2024 are generally strongest in emerging Asian economies, and weakest in Europe and the U.S.
- Rapid monetary policy tightening over the last year or so has weakened global housing markets, slowed bank lending, and pushed the industrial sector close to recession. However, those areas of weakness have been more than offset by persistent strength in household demand for services, which has propped up local labour markets.

Markets

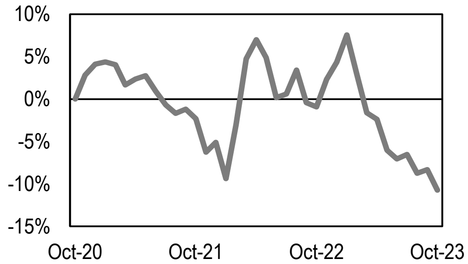
- Share market performance was poor for October. The S&P 500 lost 2.2%, while the Australian S&P 200 lost 3.8% on a price basis.
- Global shares ex-Australia lost ground during October, producing a return of -1.0% on an unhedged basis. The result was worse for hedged global shares, losing 2.8%.
- In Australia, Momentum and Value were the best performing styles for the month, albeit negative. Globally, all sectors were also negative, with Low Volatility and Momentum being the best performers i.e. least negative.
- Within Fixed income markets, both Australian government bonds and credit lost ground for the month. The main Australian fixed interest index, the Bloomberg AusBond Composite 0+ Years Index was down 1.8%, while the Bloomberg AusBond Credit 0+ Years Index lost 0.8% for the month.
- Global High Yield bonds, as measured by the Bloomberg Barclays Global High Yield Total Return Index Hedged into AUD lost 1.0% for the month.

1. S&P/ASX 200 Price Index



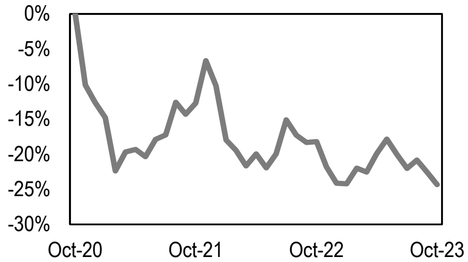
Source: FactSet, Insignia Financial

2. ASX200 vs All-World, US$ terms



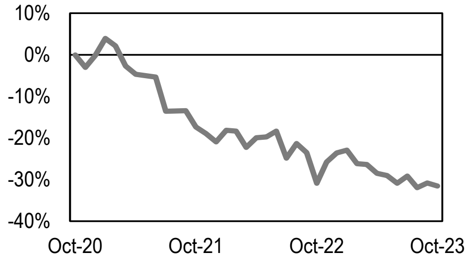
Source: FactSet, Insignia Financial

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 – October 2023

ASX/S&P 200 Sectors (GICS)				
	Monthly	% ∆	Quarterly	% ∆
▼	Consumer Discretionary	-4.91	Consumer Discretionary	-4.30
▼	Consumer Staples	-3.96	Consumer Staples	-9.97
▼	Energy	-5.18	Energy	-5.87
▼	Financials ex Property	-3.68	Financials ex Property	-8.25
▼	Financials	-3.63	Financials	-6.84
▼	Health Care	-7.22	Health Care	-14.52
▼	Industrials	-6.45	Industrials	-12.19
▼	IT	-7.56	IT	-16.72
▼	Materials	-0.83	Materials	-6.59
▼	Property Trusts	-5.83	Property Trusts	-12.60
▼	Telecommunications	-2.93	Telecommunications	-8.63
▲	Utilities	1.68	Utilities	-5.49

Source: FactSet, Insignia Financial

Best and Worst S&P/ASX 200 Performers			
Top five stocks (%)		Bottom five stocks (%)	
Monthly			
Silver Lake Resources Limited	+24.3	Liontown Resources Limited	-45.2
Gold Road Resources Ltd	+17.0	Credit Corp Group Limited	-37.7
Regis Resources Limited	+16.1	Magellan Financial Group Ltd	-29.6
Ramelius Resources Limited	+15.3	IGO Limited	-24.9
Capricorn Metals Ltd	+14.8	Chalice Mining Limited	-22.8
Quarterly			
Inghams Group Ltd.	+31.4	Chalice Mining Limited	-69.7
Ramelius Resources Limited	+29.8	IRESS Limited	-51.9
Paladin Energy Ltd	+28.6	Credit Corp Group Limited	-48.9
Gold Road Resources Ltd	+20.3	Block, Inc. Shs CDIs	-48.4
Champion Iron Ltd.	+19.1	Sayona Mining Ltd.	-48.3

Source: FactSet, Insignia Financial

Share Markets, Returns

Australian Indices	31 Oct 2023 Price	1M return (%)	31 Jul 2023 Price	3M return (%)
▼ S&P/ASX 200	6781	-3.80	7410	-8.50
▼ All Ordinaries	6968	-3.89	7622	-8.59
▼ Small Ords	2561	-5.59	2893	-11.45
US Indices				
▼ S&P 500	4194	-2.20	4589	-8.61
▼ Dow Jones	33053	-1.36	35560	-7.05
▼ Nasdaq	12851	-2.78	14346	-10.42
Asia Pacific Indices				
▼ Hang Seng	17112	-3.91	20079	-14.77
▼ Nikkei 225	30859	-3.14	33172	-6.97
UK & Europe Indices				
▼ FTSE 100	7322	-3.76	7699	-4.91
▼ CAC40	1300	-2.31	1359	-4.33
▼ DAX Index	14810	-3.75	16447	-9.95

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 declined in their local currency over the past 1 and 3 months. A key driver of the equity market weakness has been a reassessment of prices based on higher, longer term U.S. bond yields. The U.S. economic resilience has reduced near-term recession concerns and expectations of any short-term rate cuts.

These higher yields have been especially felt in the higher valuations of the Nasdaq and risk sentiment sensitive small cap stocks. The following chart highlights the relative performance difference of market caps over the quarter of the top 50 Australian stocks (S&P/ASX 50) relative to smaller, less liquid, Small Ordinaries (stocks between 100-300 on the stock exchange). The acceleration in sell down can be seen from the beginning of September.

S&P/ASX 50 vs to Small Ords: 3mths to 31/10/23

Source: tradingview.com. Accessed 16/11/2023

Returns to 31 Oct 2023	1-mth	3-mth	6-mth	1-yr
MSCI World Index	-2.6%	-7.8%	0.2%	10.0%
Value	-3.1%	-7.0%	-2.2%	3.2%
Value-Weighted	-3.1%	-6.7%	0.2%	9.3%
Momentum	-1.4%	-4.8%	-1.3%	0.4%
Growth	-2.2%	-8.5%	2.5%	17.0%
Quality	-1.6%	-6.3%	3.8%	19.0%
Low volatility	-1.0%	-3.7%	-3.1%	3.1%
Equal weight	-4.1%	-9.4%	-3.5%	5.6%
Small caps	-5.2%	-11.5%	-4.4%	0.7%

Source: FactSet, Insignia Financial, MSCI

Global equities took a step back over the month and quarter with the low volatility style providing better capital protection, a characteristic that long-term investors traditionally expect from the factor.

Interestingly, after quality companies were sold down during 2022 as aggressively as growth companies, quality as a factor has delivered superior risk adjusted returns over the year to October 2023. It has outperformed growth slightly over the 12 months and declined less than the growth factor and the market over the month and quarter.

Global small caps lagged the broader market reflecting the recent risk sell off, as well as the strength of a small number of large cap stocks ("Magnificent Seven").

Australian equity markets

The Australian market, as measured by the S&P/ASX 200 Index declined 3.8% in the September quarter, while the slightly larger market cap MSCI index declined a slightly less 3.3%.

Returns to 31 Oct 2023	1-mth	3-mth	6-mth	1-yr
MSCI Australia Index	-3.3%	-6.2%	-4.2%	5.0%
Value	-2.2%	-4.7%	-1.1%	10.3%
Value-Weighted	-2.8%	-5.1%	-2.0%	7.3%
Momentum	-1.3%	-2.8%	-0.8%	6.6%
Growth	-4.5%	-7.7%	-7.2%	0.1%
Quality	-3.1%	-4.4%	-3.1%	14.7%
Low volatility	-2.8%	-6.0%	-5.4%	7.1%
Equal weight	-4.2%	-8.9%	-6.3%	6.0%
Small caps	-6.0%	-10.5%	-8.4%	-5.3%

Source: FactSet, Insignia Financial, MSCI

Similar to our global counterparts, the MSCI Australia Index Small Cap sub-category has been sold off over the month and quarter. Australian Growth companies lagged our global counterparts over the month and quarter. The Australian market missed out on the AI technology enthusiasm that drove the U.S. markets.

Fixed Income

	Fixed Income	31 Oct 2023 Yield	1M mvt (bps)	31 Jul 2023 Yield	3M mvt (bps)
	Australian Cash rate	4.10	--	4.10	--
▲	10-year Bond Yield	4.92	0.44	4.05	0.88
▲	3-year Bond Yield	4.40	0.32	3.89	0.51
▲	90 Day Bank Accepted Bills SFE-Day	4.62	0.13	4.54	0.09
▲	US 10-year Bond Yield	4.90	0.33	3.95	0.94
▲	US 3-year Bond Yield	4.89	0.09	4.52	0.37
▲	US Investment Grade spread	1.64	0.17	1.39	0.25
▲	US High Yield spread	4.37	0.43	3.67	0.70

Source: FactSet, Insignia Financial

Australian bond market

October was not a good month for bonds. The main Australian Fixed Interest index, the Bloomberg AusBond Composite 0+ Years Index lost 1.8% for the month. Australian yields rose over the month, with the short end (3-year) of the curve rising by 32 basis points. At the long end of the curve, the 10-year yield rose by a very significant 44 basis points.

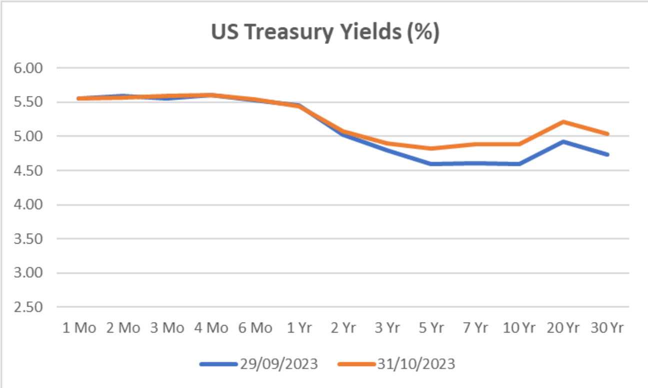
Australian corporate bonds also lost ground over the month, with the Bloomberg AusBond Credit 0+ Years Index losing 0.8%.

The yield to maturity for the Bloomberg AusBond Composite 0+ Years Index at the end of October was approximately 4.75%, with the index having around 5 years duration.

Global bond markets

During October, U.S. Government bond yields rose for maturities of greater than or equal to 2 years. Anything shorter than 2 years was fairly flat. As can be seen in the following chart, the U.S. yield curve rose significantly at the long end of the curve, but was close to unchanged for anything less than 2 years to maturity.

Note that the 2-year / 10-year part of the curve ended October at -19bps, which is significantly less inverted than was the case at the end of September (-85bps), which has led to some market participants starting to question whether the U.S. will have a recession or not.



Source: U.S. Department of the Treasury, accessed 06/11/2023

Throughout October, the prevailing narrative driving bond markets was the expectation that interest rates would need to remain high for an extended period. Factors such as a solid U.S. labour market, persistently high inflation, and rising concerns over U.S. Treasury supply kept the pressure on U.S. yields.

The U.S. curve steepened, with the 30-year yield surpassing the 5.0% mark for the first time since 2007. The tightening of financial conditions lowered expectations of an imminent rate hike by the Fed, as the higher yields have already been contributing to tightening monetary policy conditions.

In Europe, the European Central Bank kept rates stable, as expected. However, the lack of discussion about potentially moving up the December 2024 end-date for reinvestments from its Pandemic Emergency Purchase Programme (PEPP) was unexpected, with a recent rise in Italian bond yields being one likely reason. Italy's finances were brought back into the spotlight with the release of the government's 2024 Budget. In October, the Italian 10-year yield decreased during the month from 4.79% to 4.73%, and the 2-year yield fell from 4.02% to 3.85%.

European rates outperformed other markets, with yields falling across shorter maturities. Germany's 10-year Bund yield dropped slightly from 2.84% to 2.81%, and the two-year yield came down from 3.21% to 3.07%. Spain also saw a drop with its 2-year yield coming down to 3.43% from 3.60% the previous month.

Currencies

	Currency	31 Oct 2023 Price	1M return (%)	31 Jul 2023 Price	3M return (%)
▼	$A vs $US	0.63	-1.52	0.67	-5.73
▼	$A vs GBP	0.52	-1.05	0.52	-0.36
	$A vs YEN	96.12	--	95.56	0.59
▼	$A vs EUR	0.60	-1.53	0.61	-1.92
▲	$A vs $NZ	1.09	1.36	1.08	0.55
▼	$US vs EUR	0.95	-0.02	0.91	3.98
▲	$US vs CNY	7.32	0.29	7.14	2.42
▲	$US vs GBP	0.82	0.37	0.78	5.59
▲	$US vs JPY	151.66	1.53	142.27	6.60
▼	$US vs CHF	0.91	-0.59	0.87	4.49
▲	US Dollar Index	106.66	0.41	101.86	4.72

Source: Bloomberg, Insignia Financial

The Australian dollar maintained a relatively narrow range during October, as markets sidelined major bets due mainly to a trio of risk-off drivers.

Increasing geopolitical tensions in the Middle East, coupled with a surge in U.S. Treasury yields and uncertainty surrounding the global growth outlook, saw the AUD toward lows of US$0.6270.

USD exceptionalism appears to have run its course and any further dollar gains through the end of the year will be hard-won, allowing the AUD room to extend its recovery. However, geopolitical uncertainty and a poor 2024 global growth outlook could hinder any potential AUD rebound.

The USD managed to break the 150-yen mark, while the AUD is now sitting around 96 yen. Japan's low yields have made the currency an easy target for short-sellers and funding trades, with the widening gap in interest rates between Japan and the United States leading to persistent weakness in the yen.

The DXY Index closed the month at 106.66. While the DXY spiked in September last year at around 113 points, a DXY Index level of 106.66 is an exceptionally strong USD. If it was not for the spike last September, the USD would be sitting at a 20-year high.

Commodities

	Commodity	31 Oct 2023 Price	1M return (%)	31 Jul 2023 Price	3M return (%)
▼	Aluminium	2235	-3.14	2196	1.80
▼	Copper	8038	-2.34	8636	-6.92
▼	Nickel	17825	-3.70	21625	-17.57
▼	Zinc	2433	-7.88	2550	-4.61
▼	Crude Oil - Brent	85.05	-11.28	85.22	-0.20
▲	Natural Gas	3.58	22.06	2.63	35.73
▼	Metallurgical Coal	127	-18.52	145	-11.96
▲	Thermal Coal	162	6.46	139	16.53
▼	Iron Ore	118.91	-1.56	112.46	5.74
▲	Gold	1984	7.30	1965	0.94
▲	Silver	23	2.97	25	-7.68

Source: Bloomberg, Insignia Financial

The S&P GSCI Index fell in October. The best performing component of the Index was Precious Metals. The price of gold was significantly higher, as renewed conflict in the Middle East prompted investors to seek perceived safe haven assets. Within the energy component, natural gas prices rose amid concerns over risks to supply stemming from damaged pipelines, as well as the Middle East conflict. Energy otherwise saw declines for crude oil and heating oil.

Agriculture gained, with sharply higher prices for cocoa and coffee. Within industrial metals, the price of zinc was significantly lower, while price falls for aluminium, copper, lead, and nickel were more modest.

S&P GSCI – October 2023

Source: MarketWatch.com, accessed 16/11/2023

Australia

Interest rates were lifted to 4.35% on Melbourne Cup Day, following quarterly inflation and retail sales data coming in above expectations. Other data reaffirmed Australia's economic resilience, unemployment reduced to 3.6% and the Trade Surplus eased as imports jumped 7.5%.

Monetary Policy

The Reserve Bank of Australia raised its cash rate by 0.25% to 4.35% in line with market expectations at the November Melbourne Cup meeting. This comes after four meetings where the RBA maintained rates at 4.10%. This latest move brought borrowing costs to their highest level since late 2011 and marked the 13th rate rise since May 2022. Inflation has proved more persistent than expected due to a further rise in prices of services. New governor Michelle Bullock said in a statement that whether further tightening is needed to bring inflation returns to the target in a reasonable timeframe will depend upon the data and the evolving assessment of risks. Currently, the RBA projects CPI to be around 3.5% by the end of 2024 and at the top of the target range of 2 to 3% by the end of 2025.

Inflation

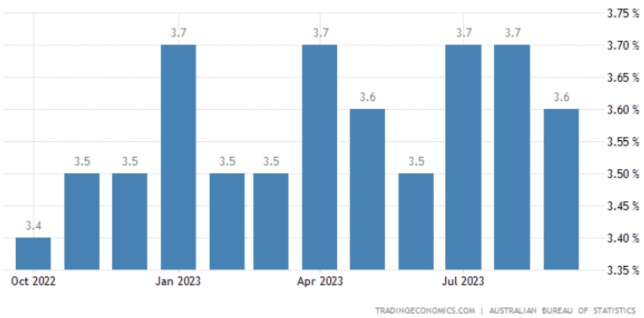
Australia's inflation rate fell to 5.4% p.a. in Q3 2023, down from 6.0% in the previous period, but above the market consensus forecast of 5.3%. This marked the third quarter in a row of lower annual inflation driven by a slowdown in goods and services inflation. Goods inflation eased to a near two-year low of 4.9% from 5.8% in Q2, underpinned by a slowdown in food inflation (4.8% vs 7.5%). Services inflation slowed to 5.8% from 6.3%, assisted by softer rises in prices of hairdressers' services (6.7% vs 7.1%), financial services (6.9% vs 7.1%), restaurant meals (6.1% vs 6.5%), and holiday travel (6.8% vs 12.2%). The Core CPI climbed by 5.2% p.a., marking the slowest growth rate in over a year.

The CPI in Australia increased 1.2% in Q3 2023 up from last quarter's data of 0.8% and above expectations of 1.1%. Relative to Q3 last year, inflation has improved (1.8% in Q3 2022).

Labour Market

Australia's seasonally adjusted unemployment unexpectedly declined to a three-month low of 3.6% in September, down from August's figure and below market consensus of 3.7%. The number of unemployed individuals dropped by 19,800, as people looking for full-time jobs decreased by 19,700 and those seeking part-time jobs dropped by 100. Part-time employment increased by 46,500, while full-time employment declined by 39,900 resulting in net employment gain of only 6,700, coming in below market forecasts of a 20,000 gain, and easing from a 63,300 increase in August. The participation rate went down to 66.7% from last month's record high of 67%.

Unemployment Rate: Oct 2022 to Sept 2023



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

Trade

Australia's trade surplus on goods declined to a 30-month low of $6.79 billion in September from $10.16 billion in August, and below market forecasts of an $9.4 billion gain, as exports fell while imports surged. Exports dropped by -1.4% from the previous month to $45.62 billion, dragged by non-monetary gold (-39.2%). Meanwhile, imports jumped 7.5% to a record high of $38.84 billion, mainly boosted by industrial transport equipment.

Retail Sales

Retail sales in Australia rose by 0.9% MoM in September, sharply accelerating from a 0.3% gain in August and above market forecasts for a continued modest 0.3%. Sales in department stores rising the most due to a warmer-than-usual start to spring (1.7% vs 0.6% in August). An upturn in household goods (1.5% vs -0.1%), was supported by the new iPhone. Sales of food were solid (1.0% vs -0.1%), as was other retailing (1.3% vs 0.7%). Meantime, clothing sales eased (0.3% vs 1.4%). Sales increased across states and territories across the country. The largest increases were in Tasmania (1.8%), New South Wales (1.3%), Victoria (1.2%), while Queensland (0.5%) and Australian Capital Territory (0.5%) lagged.

United States

The latest job openings out of the U.S. surprised to the upside. The labour market remains tight. Inflation remained steady at 3.7%, which was slightly above market expectations of 3.6%.

Growth / Economic Activity

The Conference Board Leading Economic Index (LEI) for the U.S. declined by 0.7% in September 2023 to 104.6 (2016=100), following a decline of 0.5% in August. The LEI is down 3.4% over the six-month period between March and September 2023, an improvement from its 4.6% contraction over the previous six months (September 2022 to March 2023).

In September, negative or flat contributions from nine of the index's ten components more than offset fewer initial claims for unemployment insurance. Although the six-month growth rate in the LEI is somewhat less negative, and the recession signal did not sound, it still signals risk of economic weakness ahead. So far, the U.S. economy has shown considerable resilience despite pressures from rising interest rates and high inflation. Nonetheless, The Conference Board forecasts that this trend will not be sustained for much longer, and a shallow recession is likely in the first half of 2024.

Labour Market

The number of job openings increased by 56,000 from the previous month to 9.55 million in September 2023, reaching the highest level in four months and exceeding the market consensus of 9.25 million. During the month, job openings saw growth in accommodation and food services (+141,000) and in arts, entertainment, and recreation (+39,000). Conversely, job openings declined in other services (-124,000), the federal government (-43,000), and information (-41,000). Regarding regional distribution, job openings rose in the South (+126,000) and the Northeast (+26,000), while they declined in the West (-72,000) and the Midwest (-24,000).

The unemployment rate in the United States increased to 3.9% in October 2023, slightly exceeding market expectations and the previous month's figure of 3.8%. This marks the highest jobless rate since January 2022, with the number of unemployed individuals rising by 146,000 to 6.51 million, while the count of employed individuals decreased by 348,000 to 161.2 million. The employment rate was down to 60.2% from September's 60.4% and the participation rate edged down to 62.7% from 62.8%. Since their recent lows in April, both the unemployment rate and unemployment levels were up by 0.5% and 849,000, respectively.

Inflation

The U.S. inflation rate remained steady at 3.7% in September 2023, defying market expectations of a slight decrease to 3.6%, as a softer decline in energy prices offset slowing inflationary pressures in other categories. Energy costs fell by 0.5%, following a 3.6% decrease in August, primarily driven by a rebound in fuel prices. Additionally, prices increased at softer rates for food (3.7% vs. 4.3%), new vehicles (2.5% vs. 2.9%), apparel (2.3% vs. 3.1%), medical care commodities (4.2% vs. 4.5%), shelter (7.2% vs. 7.3%), and transportation services (9.1% vs. 10.3%). Costs for used cars and trucks, as well as medical care services, continued to decline. The core CPI, which excludes volatile food and energy prices, slowed to 4.1%, marking its lowest reading since September 2021.

On a monthly basis, consumer prices advanced by 0.4%, easing from a 0.6% gain in August, but exceeding market expectations of 0.3%, while the core rate remained unchanged at 0.3%.

Interest Rates / Fed Policy

The Federal Reserve kept the target range for the federal funds rate at its 22-year high of 5.25%-5.5% for a second consecutive time in November, reflecting policymakers' dual focus on returning inflation to the 2% target, while avoiding excessive monetary tightening. Policymakers emphasized that the extent of any additional policy tightening would consider the cumulative impact of previous interest rate hikes, the time lags associated with how monetary policy influences economic activity and inflation, and developments in both the economy and financial markets. During the press conference, Powell signalled that the September dot-plot showing the majority of participants forecasting one more rate hike this year may not be accurate anymore. He also stated the FOMC had not discussed any rate cuts yet, while the primary focus remains on whether the central bank will need to implement additional rate hikes.

China

China's economy continues to struggle with a prolonged property crisis and housing price weakness, which continues to weigh upon consumer sentiment and demand. Weak demand dragged imports 6.2% lower and Inflation has come in "near zero" p.a. for the fifth consecutive month. Employment remains stable at 5%.

Monetary Policy

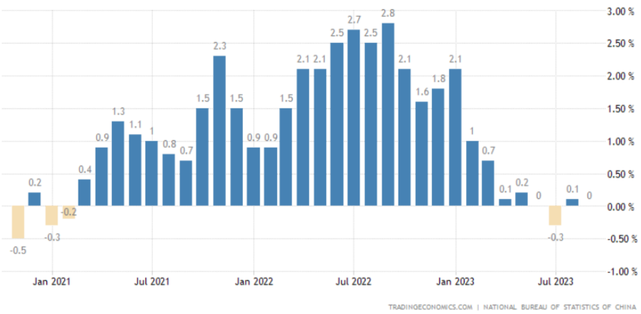
The People's Bank of China (PBoC) maintained the current interest rates during October.

Growth

The Chinese economy expanded by 4.9% YoY in Q3 2023, down from a relatively strong Q2 growth of 6.3%, but coming in above market forecasts of 4.4%. Q3 annual growth provided a glimmer of hope that Chinese stimulus may be able to offset some of the weakness coming from the prolonged property crisis and weak trade. In September alone, retail sales rose the most in 4 months, up for the 9th consecutive month; industrial output growth stayed at its highest level since April, and fixed investment continued to grow.

Inflation

China Inflation Rate (YoY) Oct 2020 – Sept 2023



Source: Tradingeconomics.com, National Bureau of Statistics of China, Accessed 15/11/2023

China's consumer prices remained unchanged (0.0%) in September from a year earlier, declining from a 0.1% rise in the previous month and coming in below market consensus of +0.2%. The latest data indicated persistent deflationary pressures in the world's second-largest economy, raising concerns regarding sluggish demand. Food prices dropped by -3.2% (vs -1.7% in August), as pork prices declined further (-22% vs -17.9%). Meanwhile, non-food inflation rose to +0.7% (vs +0.5%), driven by housing (+0.2% vs +0.1%), and health (+1.3% vs +1.2%). Prices for transport eased at a slower rate (-1.3% vs -2.1%). The annual core inflation rate, which excludes food and energy prices, remained unchanged at +0.8% in September. On a monthly basis, the CPI rose by +0.2% in September, compared to the consensus of +0.3%.

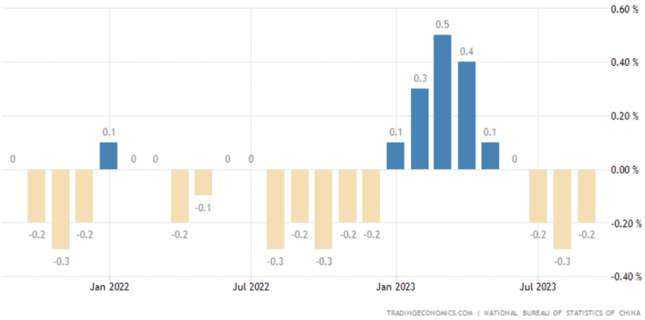
Employment

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 the previous month.

Housing

Average new home prices in China's 70 major cities fell by -0.1% YoY in September, coming in at the same level as the last three months, as demand remained sluggish amid a prolonged property slump. Among the biggest Chinese cities, prices decreased in both Shenzhen (-3.0% vs -3.0% in August) and Guangzhou (-1.7% vs -1.4%). On the other hand, prices increased at a slightly faster pace in both Beijing (2.9% vs 2.8%) and Shanghai (4.4% vs 4.1%). On a monthly basis, new home prices shrank by 0.2% in September, the third straight month of decline, after a 0.3% fall in August.

New House Prices (MoM) Sept 2021 – Sept 2023



Source: Tradingeconomics.com, National Bureau of Statistics of China, Accessed 15/11/2023

Trade

China's trade surplus in September narrowed to US$77.71 billion from US$82.67 billion in the same period the previous year, but it exceeded forecasts of US$70 billion. Exports fell by 6.2% p.a., marking the 5th consecutive month of decline, but was better than the market consensus of -7.6%. Imports declined by -6.2%, marking the 7th consecutive month of decrease and was slightly below expectations of -6%.

Europe

The euro area seasonally adjusted unemployment rate increased to 6.5% in September 2023, up from 6.4% in August, which had been the lowest on record. The inflation rate in the Euro Area declined to 2.9% year-on-year in October 2023, reaching its lowest level since July 2021.

Growth / Economic Activity

Euro zone economic growth was weaker than expected in the third quarter, according to a flash estimate, with gross domestic product contracting slightly quarter-on-quarter, and the year-on-year growth rate slowing sharply.

The European Union's statistics office Eurostat stated that GDP in the twenty countries sharing the euro fell 0.1% quarter-on-quarter during Q3, for a 0.1% year-on-year rise.

Economists polled by Reuters had expected a 0.0% quarterly growth and a 0.2% year-on-year gain.

Eurostat data showed 0.1% quarterly growth in France, 0.3% in Spain and 0.5% in Belgium, but that failed to offset a 0.1% quarterly slump in Germany, no growth in Italy, and contractions in Austria, Portugal, Ireland, Estonia and Lithuania.

The euro zone economy is facing significant headwinds from high inflation and record-high interest rates, as well as slowly tightening fiscal policy.

Inflation

The inflation rate in the Euro Area declined to 2.9% year-on-year in October 2023, reaching its lowest level since July 2021 and falling slightly below the market consensus of 3.1%, according to a preliminary estimate. Meanwhile, the core rate, which filters out volatile food and energy prices, also cooled to 4.2% in October, marking its lowest point since July 2022. However, both rates remained above the European Central Bank's target of 2%. The energy cost tumbled by 11.1% (compared to -4.6% in September), and the rates of inflation eased for both food, alcohol, and tobacco (7.5% compared to 8.8%) and non-energy industrial goods (3.5% compared to 4.1%). Services inflation remained relatively stable at 4.6%, compared to 4.7% in the previous month. On a monthly basis, consumer prices edged up 0.1% in October, after a 0.3% gain in September.

Labour Market

According to Eurostat, the euro area seasonally adjusted unemployment rate increased to 6.5% in September 2023 from 6.4% in August, compared with market expectations of 6.4%. The number of unemployed people rose by 69,000 from a month earlier to 11.017 million. Amongst the largest Euro Area economies, the lowest jobless rate was recorded in Germany (3%), while the highest rates were observed in Spain (12%), Italy (7.4%) and France (7.3%). A year earlier, the jobless rate was higher at 6.7%. Meanwhile, the youth unemployment rate, measuring jobseekers under 25 years old, edged up to 14% in September 2023, from 13.9% in August.

Policy

At the ECB's 26 October meeting, the Governing Council decided to keep the three key ECB interest rates unchanged. The incoming information has broadly confirmed its previous assessment of the medium-term inflation outlook. Inflation is still expected to stay too high for too long, and domestic price pressures remain strong. At the same time, inflation dropped markedly in September, including due to strong base effects, and most measures of underlying inflation have continued to ease. The Governing Council's past interest rate increases continue to be transmitted forcefully into financing conditions. This is increasingly dampening demand and thereby helps push down inflation.

The Governing Council is determined to ensure that inflation returns to its 2% medium-term target in a timely manner. Based on its current assessment, the Governing Council considers that the key ECB interest rates are at levels that if maintained for a sufficiently long duration, will make a substantial contribution to this goal. The Governing Council's future decisions will ensure that its policy rates will be set at sufficiently restrictive levels for as long as necessary.

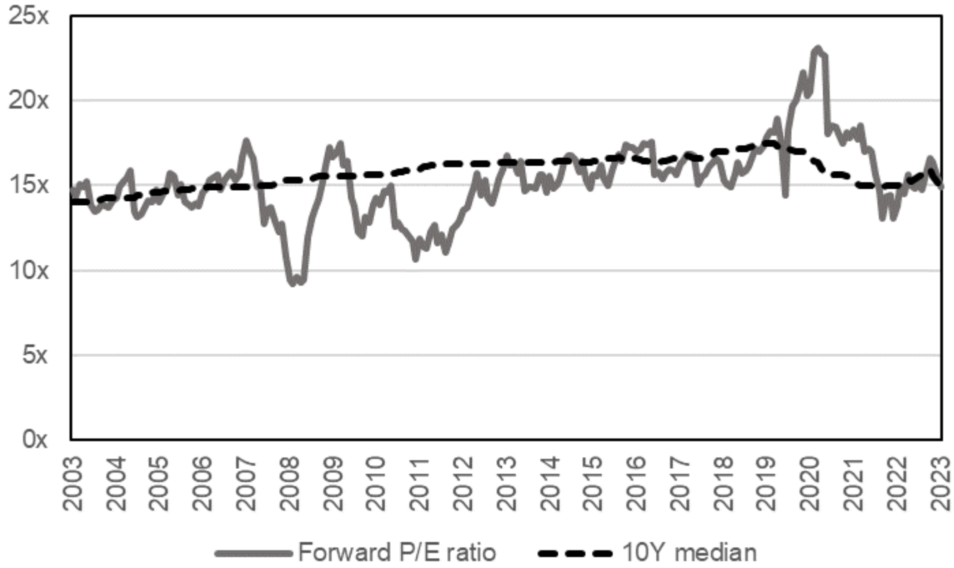
Economic Scorecard – As of 16 November 2023

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**
Growth (Latest Qtr Nominal GDP)	1.2% (Above trend)	Moderating	Below trend / Recession	0.4% (Below trend)	Moderating	Recession / Below trend	-0.1% (Below trend)	Weakening	Recession / Below trend	1.3% (About trend)	Moderating	Below trend / Recession
Inflation (Headline CPI)	3.2% (Above target)	Slowly falling	Very slightly above target	5.4% (Significantly Above target)	Falling	Lower, but still above target	2.9% (Above target)	Slowly falling	Lower, but still potentially above target	-0.2% (Below target)	Slowly returning towards trend	Target / Slightly below target
Interest Rates (official cash rate or equivalent)	5.25%-5.50%	Marginal increase	5.50%-5.75%	4.35%	Flat	4.35% (Stable)	4.50%	Flat	4.50% (Stable)	3.45%	Reducing	3.00%
		AUD/USD										
Currencies (relative PPP basis)	0.650 (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 (October-13 to October-23)



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

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

Performance as of 31 October 2023

					Annualised						
		1-mth	3-mth	6-mth	1-yr	3-yr	5-yr	7-yr	10-yr	15-yr	20-yr
Shares	Australia	-3.8%	-7.2%	-5.3%	3.0%	8.9%	7.2%	7.8%	6.6%	8.1%	8.2%
	Australia - mid cap	-6.9%	-12.4%	-7.5%	-4.2%	6.2%	7.8%	9.1%	10.2%	9.4%	9.1%
	Australia - small cap	-5.5%	-10.5%	-10.3%	-5.1%	0.5%	2.5%	4.2%	4.3%	5.3%	4.9%
	Australia - micro cap	-4.6%	-13.1%	-13.1%	-10.0%	5.2%	9.5%	5.9%	6.2%	6.9%	-
	World ex Australia	-1.0%	-3.4%	2.9%	11.7%	12.0%	10.8%	12.2%	12.1%	9.8%	8.1%
	World ex Australia (Hedged)	-2.8%	-8.3%	-0.8%	8.2%	6.8%	6.7%	8.1%	8.0%	10.2%	8.4%
	World - small cap	-4.3%	-9.0%	-3.2%	0.0%	7.7%	6.3%	8.8%	9.6%	10.0%	8.2%
	Emerging Markets	-2.0%	-6.5%	-0.6%	11.9%	-0.3%	3.9%	5.3%	5.3%	6.0%	7.3%
Property & Infrastructure	A-REITS	-5.8%	-12.0%	-10.2%	-3.6%	2.7%	1.9%	3.5%	6.4%	6.6%	4.9%
	Global REITs	-2.9%	-8.0%	-7.9%	-5.1%	3.6%	0.8%	2.5%	5.4%	-	-
	Global REITs (hedged)	-4.5%	-12.3%	-10.5%	-7.7%	0.7%	-1.9%	-0.1%	2.5%	6.5%	-
	Global infrastructure	0.2%	-5.7%	-7.9%	-3.5%	6.3%	5.7%	6.9%	8.9%	-	-
	Global infrastructure (Hedged)	-1.3%	-9.8%	-11.2%	-6.9%	2.4%	2.8%	3.9%	5.9%	9.1%	-
Fixed income	Australia Total Market	-1.8%	-2.6%	-5.2%	-1.2%	-4.6%	-0.1%	0.6%	2.1%	3.6%	4.2%
	Australia government bonds	-2.1%	-3.1%	-6.0%	-2.1%	-5.2%	-0.4%	0.3%	2.0%	3.4%	4.1%
	Australia corporate bonds	-0.8%	-0.4%	-1.1%	3.5%	-1.7%	1.4%	2.0%	3.0%	4.6%	4.9%
	Australia floating rate bonds	0.4%	1.2%	2.4%	4.9%	1.9%	2.1%	2.3%	2.6%	3.7%	4.1%
	Global Total Market (Hedged)	-0.8%	-2.9%	-3.6%	0.1%	-4.8%	-0.4%	0.0%	2.0%	4.3%	4.8%
	Global government bonds (Hedged)	-0.7%	-2.5%	-3.4%	-0.7%	-4.8%	-0.4%	0.0%	2.0%	4.0%	-
	Global corporate bonds (Hedged)	-1.2%	-3.7%	-4.2%	2.2%	-5.3%	-0.1%	0.3%	2.3%	5.7%	-
	Global high yield bonds (Hedged)	-1.0%	-2.5%	0.4%	7.0%	-0.8%	0.9%	1.8%	3.5%	9.5%	7.5%
Cash	Bloomberg AusBond Bank Bill Index	0.3%	1.0%	2.0%	3.7%	1.5%	1.3%	1.5%	1.7%	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