# FINANCIAL MARKET CONDITIONS
## November 2024

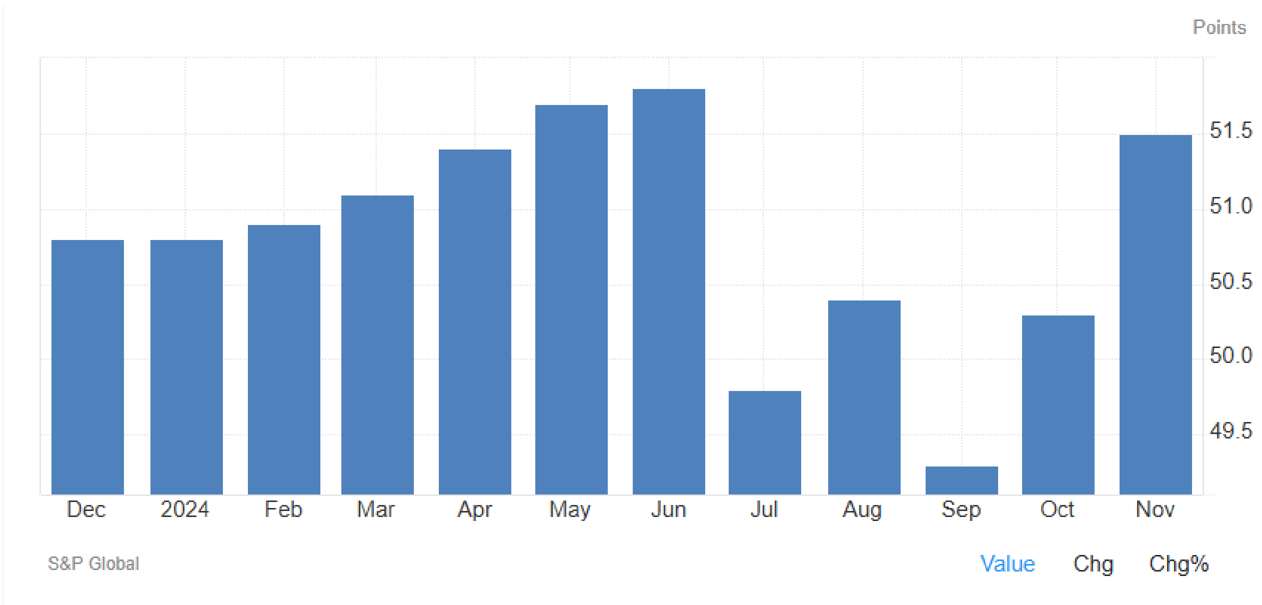
Local Government Finance Authority

In November 2024, global financial markets experienced significant movements influenced by political developments, economic indicators, and central bank policies. The re-election of Donald Trump as United States (US) President introduced new dynamics, particularly concerning energy policies and international trade relations.

The re-election of President Trump led to rallies in US stocks, the dollar, and bitcoin, while the euro and Mexico's peso faced challenges. US Treasuries performed well, with the 10-year Treasury yield decreasing by about 10 basis points. The US stock market continued its strong performance, with relative prices and valuations at historic peaks, now accounting for nearly 70% of the leading global stock index. This high valuation is viewed as a bubble fuelled by exaggerated faith in US companies, especially in technology. President Trump's proposed economic policies are expected to further boost US markets.
European markets remained subdued, with the Stoxx Europe 600 index reflecting mixed sentiment. The European Central Bank maintained its rate-hiking path to combat persistent inflation. Energy prices continued to influence Europe's inflation landscape, especially amid global oil supply uncertainties. Defensive sectors like healthcare saw gains, while consumer discretionary stocks declined due to dipping consumer sentiment amid high living costs.

China's factory activity reached its highest growth in five months, driven by an increase in new orders and production. The Caixin/S&P Global manufacturing PMI rose to 51.5 from 50.3 in October, surpassing analysts' expectations. This growth was partly due to an uptick in new export orders, particularly in investment and intermediate goods. However, employment levels continued to decline, although the rate of job shedding slowed.

**China Caixin Manufacturing PMI**




Australia's economy showed resilience, with retail sales firming for the third consecutive month in October, rising 0.6% from September. This growth was driven by tax cuts and consumer confidence in stable interest rates, exceeding analysts' expectations of a 0.4% increase. On an annual basis, sales were up 3.4%, totaling A$36.7 billion, supported by early discounting ahead of November's Black Friday. Increased spending on electrical goods, particularly audio-visual equipment, was a significant factor. A slowdown in inflation and substantial income tax cuts contributed to improved consumer sentiment, which peaked in November.

The Reserve Bank of Australia (RBA) maintained the cash rate at 4.35% during its November meeting, marking the eighth consecutive hold. Despite inflation falling to its lowest level in almost four years, the RBA emphasised the need for restrictive monetary policy until inflation aligns with the target range of 2–3%. Governor Michele Bullock stated that the current underlying inflation of 3.5% is too high to consider a rate cut in the near term. Projections indicate that inflation will return to the target sustainably by 2026.

The Australian dollar experienced volatility, influenced by the US dollar's strength and fluctuating commodity prices, particularly iron ore, which saw gains amid increased Chinese demand. Australian equity markets remained resilient, with the ASX 200 index posting moderate gains despite global headwinds. The financial sector benefited from the RBA's steady policy, while resource stocks showed strength due to strong commodity demand. However, consumer-facing sectors, such as retail and real estate, faced pressure as elevated mortgage rates impacted consumer spending.


In summary, November 2024 was marked by significant developments across global financial markets, with Australia's economy demonstrating resilience amid global uncertainties. The RBA's cautious stance underscores the delicate balance between controlling inflation and supporting economic growth. As the global economic landscape continues to evolve, Australia's monetary policy will remain a critical factor in shaping its financial markets and overall economic trajectory.