

MONTHLY SUMMARY

MARKET SUMMARY

- **Equities muted** – After falling early in the month on AI related valuation concerns and a hawkish shift from the RBA, equities staged a late month rally as trade pressures continued to ease, Nvidia delivered a strong result, and expectations increased that the US Federal Reserve would cut rates in December. In local currency, the ASX200 (-2.7%) underperformed global equities (MSCI World) +0.4% (USD terms). European indices and the US S&P500 eked out small gains, while Asian markets fell. Locally mid-caps outperformed large and small caps stocks. Equity markets have rallied strongly since mid-April, so a pullback (albeit short lived) was not unexpected.
- **ASX200 Sector performance** – The best performers for the month were Healthcare (+2.0%), Consumer Staples (+1.6%) and Materials (+1.5%). Lithium and gold stocks rallied strongly. The worst performers were Information Technology (-11.6%), Financials ex property (-6.5%) and Property (-3.8%). The IT sector sold off globally on profit taking, valuation concerns, increased debt financing and questions around timing of returns on large capital expenditure. CBA's valuation continued to revert toward normal levels as investors switched their banking exposures into the Miners. Property stocks fell on a potential end to the rate cutting cycle.
- **Aust Bonds sold off on higher inflation data** – While US 10-year bond yields fell 6.4bp to 4.01%, the Australian bond market sold-off with AU 10-year bond yield rising steeply (+22bps) to 4.51%. Japanese Bond yields also rose 14bp to 1.81%. The Japanese market is worth watching as higher Japanese yields could see an unwind of the "carry-trade" leading to sell-off in other assets around the world.
- **Global economy** – The US has been in a data vacuum given the government shutdown; however, data out later in the month was softer than expected along with Fed commentary fuelled expectations of a rate cut in December. US consumer sentiment fell to the lowest level in 7 months. In China, inflation rose, but retail sales, fixed asset investment and the housing market data all weakened. The new Japanese administration approved a comprehensive economic package. The RBNZ cut rates 25bp to 3.25% but signalled an end to their cutting cycle.
- **Australian economy** – The RBA held the cash rate steady at 3.6%. Monthly inflation data released was higher than expected and the labour market rebounded. The RBA is expected to remain on hold for an extended period and some now forecast the next move to be a hike. Overall, it has been a shallow cutting cycle. Data has improved. Business and consumer confidence has risen, while house prices continue to rise. APRA announced new macro-prudential tightening measures to restrict lending. Australian household wealth has grown strongly driven by the housing market and Superannuation levels. Q3 capex rose strongly driven by data centre investment while credit growth rose faster than expected driven by surge in loan demand from businesses and housing market investors. The AUD/USD was broadly flat at 65.5c.
- **Commodities** – Precious Metals rose 8.5% with Silver jumping 8.7% and Gold rising 5.9%. The LME Base Metals index gained 1.3% and natural gas soared 17%. Lithium (spodumene) prices jumped 18% on strongly growing lithium demand from Energy Storage Systems and Electric Vehicle battery production. Oil eased, falling 3.8% with news of a potential peace deal between Russia and Ukraine impacting prices.
- **Earnings and valuations** – Australian and global earnings were revised up. 2026 ASX200 earnings-per-share growth is now forecast to be a very robust 9%. Global equities forecast earnings growth is even more attractive at ~14% in 2026. The ASX200 12-month-forward (12MF) Price-earnings ratio (17.9x) is at a 9.4% premium to the 10-year average looks more reasonable relative to recent excessive levels. The ASX200 12MF dividend yield remains lower than historic levels at 3.4%. ASX dividends in 2026 are forecast to start growing again after three years of declines.

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