



**Research Insights**  
with Wealth Planning Solutions

**Market Commentary December 2024**

Investors adopted a more cautious stance in December after November's equity market rally in response to a Trump victory in the US Presidential Election. The major contributing factor to the more circumspect positioning of investors in December was the US Federal Reserve. In December the US Federal Reserve continued to lower cash rates with a cut of 25 bps that now sees the target cash rate move to a 4.25%-4.50% range. This move was widely anticipated by investors. The surprise for investors was that the US Federal Reserve's new median rate projection for 2025 indicated just two 25 bps cuts for the year – down from four 25 bps cuts in September.

The European Central Bank (ECB) cut its three key ECB rates by 25 bps in December as inflation expectations continued to moderate in the region. In Australia the Reserve Bank of Australia (RBA) maintained the official cash rate at 4.35% as underlying inflation remains uncomfortably high.

Australian large cap equities fell by 3.1% in the month led by the Materials (-4.5%) and Information Technology sectors (-4.4%). The two best performing sectors for the month were Communication Services (+1.4%) and Consumer Staples (+0.6%). Currency hedged global equities fell by 1.9% and with the Australian dollar falling versus the US Dollar by 3.2 cents (-5.0%) to close the month buying US\$0.6188, unhedged equities returned +2.6%.

Despite major central banks easing cash rates further in the month, bond market performance was mixed. The Australian 10-year government bond yield increased by 2bps to 4.36% and the Australian 2-year government bond yield fell by 9bps to 3.86%. The US 10-year government bond yield increased by 40bps to close at 4.57% and the US 2-year government bond yield gained 9bps to 4.24%.

## Benchmark Returns

Period Ended: 31 <sup>st</sup> December 2024	1 Month	3 Months	6 Months	1 Year	3 Years	5 Years	10 Years
	%	%	%	%	% (pa)	% (pa)	% (pa)
<b>Australian Shares</b>							
Large Caps	-3.08	-0.78	7.10	11.74	8.20	8.48	8.71
Broad Caps	-3.07	-0.81	6.94	11.39	7.06	7.97	8.52
Small Caps	0.80	3.77	5.84	26.65	-0.61	4.65	7.11
<b>International Shares</b>							
World ex-Australia in AUD Hedged (Net)	-1.94	1.94	6.45	20.66	6.35	10.50	10.26
World ex-Australia in AUD unhedged (Net)	2.58	12.12	14.70	31.18	12.25	14.14	13.16
<b>Australian Cash and Bonds</b>							
Bank Bill Index	0.38	1.12	2.24	4.47	3.19	1.98	1.95
Australian Bond Index	0.51	-0.26	2.75	2.93	-0.79	-0.18	1.97
<b>Australian Property</b>							
A-REIT – Accumulation	-5.95	-6.04	7.55	18.50	3.49	5.93	8.40



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