



# Market Trends

June

2024

with Chief Economist  
**David Bassanese**



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# Global Markets

- Market overview
- Global bonds
- Global equities
- Global sector/factor trends
- Global regional trends



# Market overview – June 2024

## Major Asset Class Performance

	Mth	Prev. mth	3-mth	prev. 3-mth	6-mth	12-mth
<b>Defensive Assets</b>	<b>0.7%</b>	<b>0.5%</b>	<b>-0.4%</b>	<b>0.5%</b>	<b>0.1%</b>	<b>3.4%</b>
Cash	0.4%	0.4%	1.1%	1.1%	2.2%	4.4%
Aust. Bonds	0.8%	0.4%	-0.8%	1.0%	0.2%	3.7%
Global Bonds	0.8%	0.8%	-0.2%	-0.3%	-0.5%	2.7%
Gold	0.0%	1.8%	4.3%	8.1%	12.8%	21.2%
<b>Growth Assets</b>	<b>1.4%</b>	<b>1.4%</b>	<b>-0.4%</b>	<b>10.6%</b>	<b>10.2%</b>	<b>16.8%</b>
A-REITs	0.2%	1.9%	-5.7%	16.2%	9.6%	23.8%
Aust. Equities	1.0%	0.9%	-1.1%	5.3%	4.2%	12.1%
Global Equities-\$A	1.8%	1.6%	0.5%	13.2%	13.7%	19.0%
<b>Balanced Portfolio</b>	<b>1.1%</b>	<b>1.0%</b>	<b>-0.4%</b>	<b>5.6%</b>	<b>5.2%</b>	<b>10.1%</b>
MSCI ACWI - LC	2.5%	3.7%	3.4%	9.5%	13.2%	20.7%
World vs \$A	-0.7%	-2.0%	-2.8%	3.3%	0.5%	-1.4%

Source: Bloomberg. Past performance is not indicative of future performance. Defensive, Growth and Balanced portfolio returns based on asset weights for the Betashares strategic balanced managed portfolio.

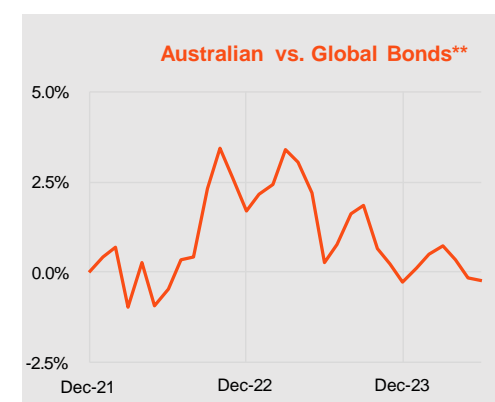
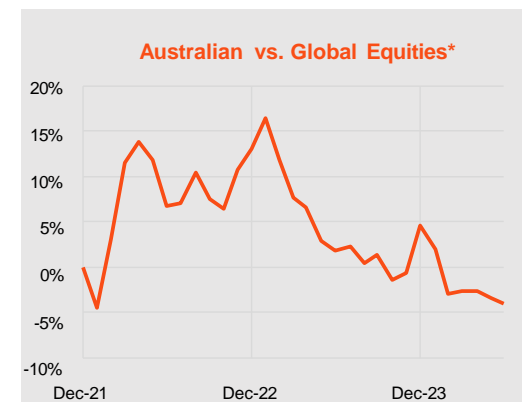
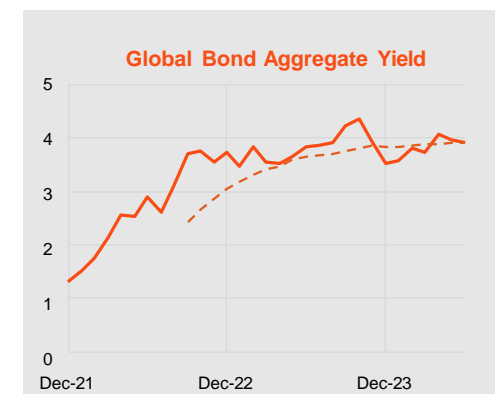
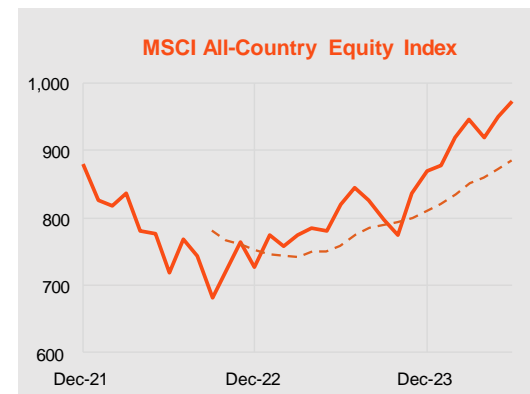
Our hypothetical Balanced portfolio returned 1.1% in June, reflecting gains in both growth and defensive assets as bond yields eased further. A return to more benign US inflation reports was the major driver of market returns over the month, while concerns over European far-right politics was the major drag.

Defensive assets rose 0.7%, reflecting modest gains in Australian and global fixed-rate bonds as bond yields fell. Gold prices were flat, reflecting some consolidation after recent strong gains. Bond yields have moved broadly sideways since late 2022.

Growth assets rose 1.4% - the same as in May - with global equities in unhedged AUD terms returning 1.8%. The trend in global equities has been upwards since bottoming in late 2022.

Despite the decline in bond yields, the interest rate sensitive local listed property sector returned only 0.2%, while Australian equities returned 1.0%. The trend in the relative performance of both Australian equities and bonds remains downwards since the bottoming in equity markets (and peak in global inflation) in late 2022.

## Global & Australia Major Asset Class Performance



# Global bonds

The Bloomberg Global Aggregate Bond Index (AUD hedged) returned 0.8% in June, in line with May's returns, reflecting a further retracement in global bond yields. US 10-year bond yields declined 0.10% to 4.40% p.a. after having declined by 0.18% in May.

In turn, this reflected further good news on the US inflation front, with the May CPI coming in a touch lower than expectations. There was a further modest increase in US rate cut expectations over the coming year.

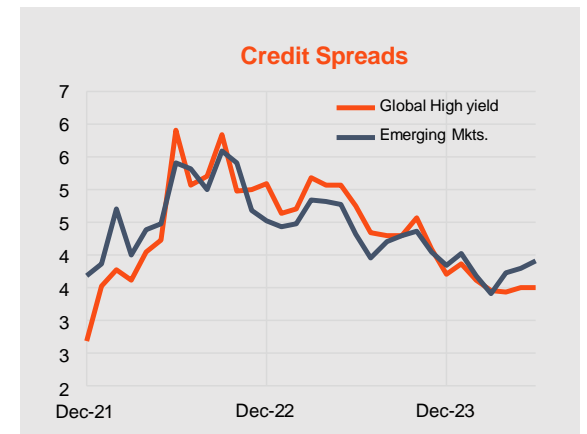
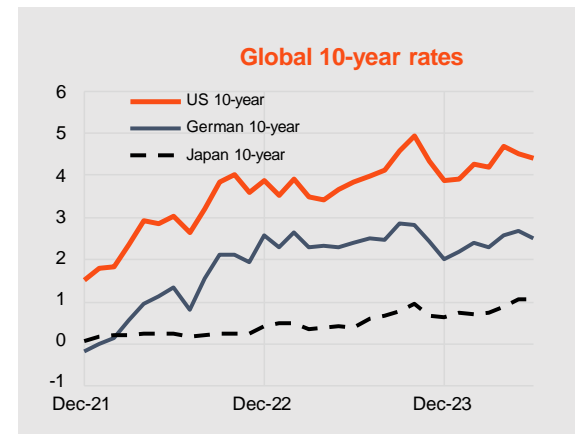
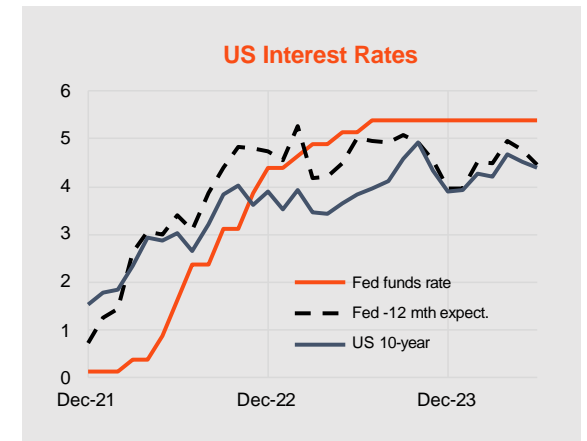
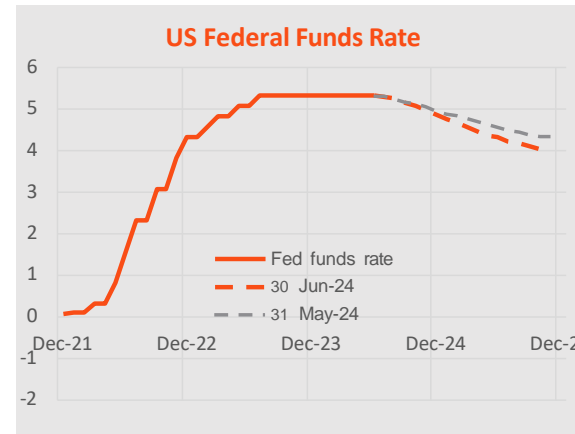
German bond yields eased, with the European Central Bank following through with an expected rate cut during the month. Japanese bond yields were flat.

Credit spreads remain reasonably tight, with a further modest rebound in emerging market spreads, though a small decline in high-yield corporate spreads.

All up, the yield-to-maturity on the Bloomberg Global Aggregate Index declined by 0.07% to 3.90% p.a.

Global Bonds	Last	Mth	Prev.mth	3mth	prev.3mth	6mth	12mth
US Fed Funds	5.38	0.00	0.00	0.00	0.00	0.00	0.25
Fed F 12-mth exp. <sup>3</sup>	4.47	-0.31	-0.17	0.00	0.52	0.52	-0.55
US 10-yr yield	4.40	-0.10	-0.18	0.20	0.32	0.52	0.56
German 10-yr	2.50	-0.17	0.08	0.20	0.28	0.48	0.11
Japan 10-yr	1.06	-0.01	0.19	0.33	0.11	0.44	0.66
High yield spread	3.51	0.01	0.07	0.05	-0.25	-0.20	-1.24
Global Bond yield	3.90	-0.07	-0.08	0.16	0.23	0.39	0.06
Global Bonds-\$US H	562	0.9%	0.9%	0.1%	0.0%	0.1%	4.2%
Hedging cost		-0.1%	-0.1%	-0.3%	-0.3%	-0.6%	-1.5%
<b>Global Bonds-\$A H</b>	<b>1,007</b>	<b>0.8%</b>	<b>0.8%</b>	<b>-0.2%</b>	<b>-0.3%</b>	<b>-0.5%</b>	<b>2.7%</b>

## Select Global Interest Rates



Source: Bloomberg, Refinitiv, Betashares. Past performance is not indicative of future performance.

# Global equities

Lower bond yields contributed to a further rebound in the MSCI All-Country World Equity Return Index of 2.5% in June on a hedged (local currency) basis, following a 3.7% increase in May.

There was a small tick down in FY24 and FY25 earnings expectations, leading forward earnings to rise on 0.3% after a 2.3% gain in May. Lower bond yields, however, allowed the forward-PE ratio to rise 2.1% to 17.7%.

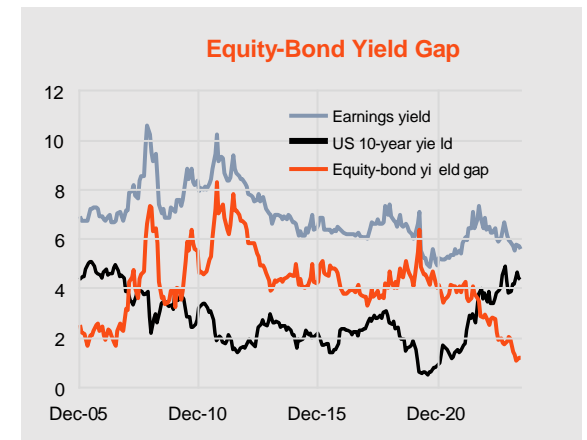
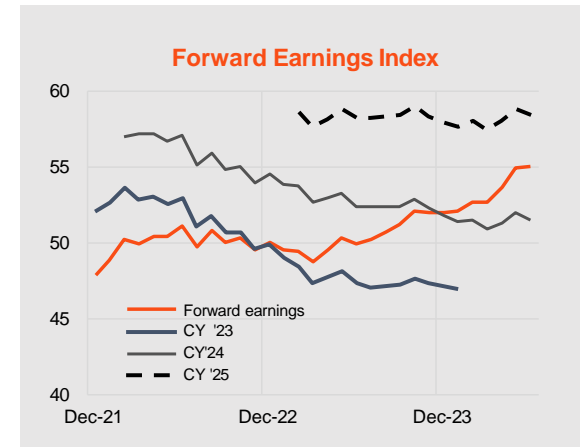
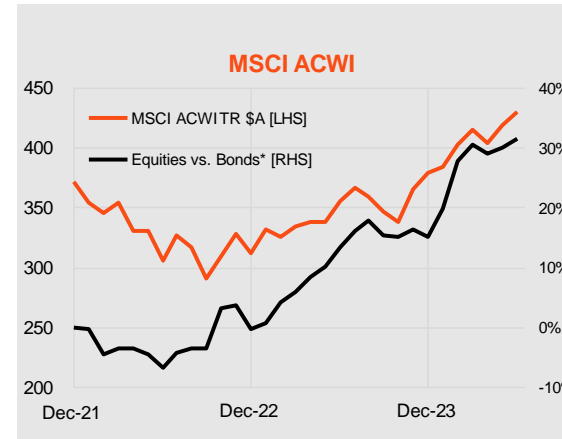
The equity risk premium edged lower to (a still relatively tight) 1.25%.

In unhedged AUD terms, global equities rose by 1.8%, reflecting a firmer AUD over the month. On an unhedged basis, global equities have returned 19.0% over the past year.

With a return to more benign US inflation reports, along with ongoing euphoria around AI, the equity outlook remains encouraging despite higher valuations – especially in the US market. Signs of slowing in US economic growth and/or political tensions (Trump and the rise of the Far right in Europe) are new risk factors to monitor.

Global Equities	Last	Mth	Prev. mth	3mth	prev. 3mth	6mth	12mth
US 10-yr yield	4.40	-0.10	-0.18	0.20	0.32	0.52	0.56
Equity-risk premium <sup>5</sup>	1.25	-0.02	0.11	-0.10	-0.74	-0.85	-0.99
Earnings yield <sup>6</sup>	5.65	-0.12	-0.07	0.09	-0.42	-0.33	-0.44
PE ratio <sup>7</sup>	17.7	2.1%	1.2%	-1.6%	7.6%	5.9%	7.8%
Forward Earnings <sup>8</sup>		0.3%	2.3%	4.5%	1.4%	6.0%	10.2%
MSCI ACWI Price Index		2.4%	3.5%	2.8%	9.1%	12.2%	18.8%
Dividend		0.1%	0.2%	0.5%	0.4%	1.0%	1.9%
Total Return-hedged		2.5%	3.7%	3.4%	9.5%	13.2%	20.7%
World vs \$A		-0.7%	-2.0%	-2.8%	3.3%	0.5%	-1.4%
<b>Total return-\$A basis<sup>9</sup></b>		<b>1.8%</b>	<b>1.6%</b>	<b>0.5%</b>	<b>13.2%</b>	<b>13.7%</b>	<b>19.0%</b>

## MSCI All-Country World Equity Index



Source: Bloomberg, Refinitiv, Betashares. Past performance is not indicative of future performance.

# Global sector/factor trends

The tug of war between growth and value exposures continued in June, with relative performance still broadly correlated with the movement in bond yields.

Indeed, the decline in bond yields encouraged a stronger rotation back into growth/technology/quality exposures in June at the expense of more value-oriented exposures such as energy and financials. Flat gold prices over the month also led to a pullback in global gold miners (MNRS) following strong performance.

On the value side, global banks (BNKS) eased 0.8%, while energy producers (FUEL) declined 1.5%. Global gold miners (MNRS) dropped 3.7%.

Offsetting these movements, the hedged Nasdaq 100 ETF (HNDQ) returned 6.2% while hedged global quality (HQLT) returned 3.4%.

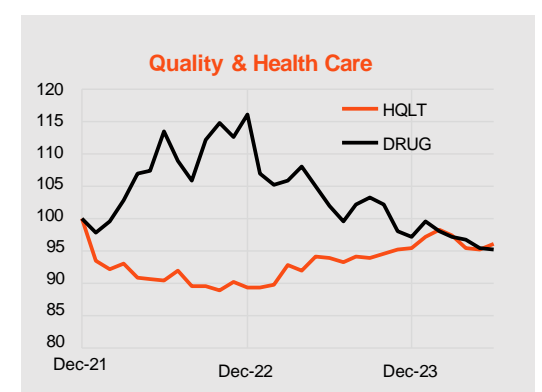
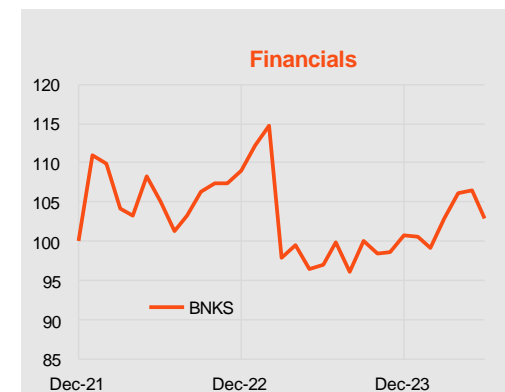
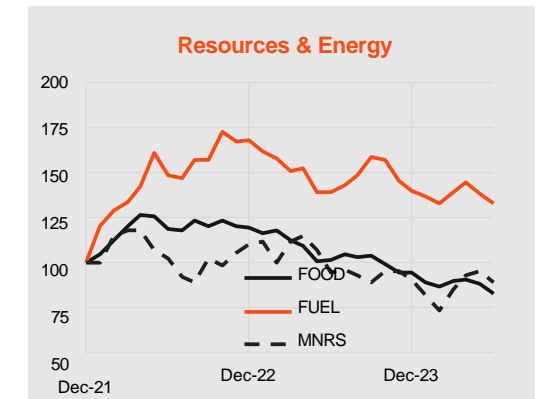
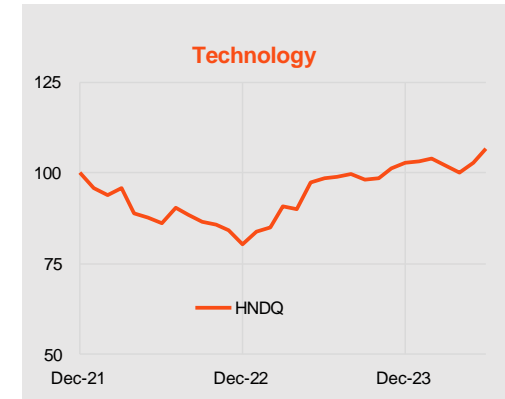
## Selected Betashares Global Equity Indices – June Performance

Global Equity Sectors	Mth	Prev. mth	3-mth	prev. 3-mth	6-mth	12-mth
<b>MSCI ACWI</b>	<b>2.5%</b>	<b>3.7%</b>	<b>3.4%</b>	<b>9.5%</b>	<b>13.2%</b>	<b>20.7%</b>
HNDQ	6.2%	6.4%	8.0%	8.7%	17.3%	30.4%
HQLT	3.4%	3.5%	1.9%	12.0%	14.1%	23.5%
FUEL	-1.5%	-0.7%	-1.3%	8.8%	7.4%	15.1%
BNKS	-0.8%	3.9%	3.4%	11.8%	15.6%	28.3%
DRUG	2.1%	2.5%	1.2%	9.6%	10.9%	12.6%
FOOD	-3.4%	0.4%	-4.5%	4.4%	-0.3%	-1.2%
MNRS	-3.7%	6.3%	8.8%	2.2%	11.2%	13.7%

Source: Bloomberg, Betashares. Shows the performance of the index that each ETF seeks to track, and not the ETF itself. Does not take into account ETF management fees and costs. You cannot invest directly in an index. **Past performance is not indicative of future performance of any index or ETF.**

## Selected Betashares Global Equity Index Exposures

Relative Performance Indices\*



Source: Bloomberg, Betashares. International ETF indices vs. MSCI ACWI. Index performance is used to show long term performance of the asset class. Chart shows performance of the index which the relevant ETF aims to track, not the actual past performance of the ETF. Index performance does not take into account ETF fees and costs. You cannot invest directly in an index. ETF may not have been in existence for entire period specified in the chart. **Past performance is not an indicator of future performance.**

# Global regional trends

Along with the rebound in growth/technology, US equities produced a relatively strong performance again in June, with the S&P 500 up 3.6%. Not helped by a lunge to far-right parties in EU and French elections, European stocks underperformed, with HEUR and H100 ETFs down 2.3% and 1.1% respectively.

Over the past six to 12 months, the strongest relative performance has been in Japan attributed to relative cheapness, a weak Yen, and solid corporate earnings as more strength in growth/technology exposures, whereas Japan's performance can be (HJPN) and the US (S&P 500). America's performance is related to the ongoing companies focus on improved shareholder returns.

Australian relative performance remains in a downtrend, with the A200 ETF only returning 1.1% in June.

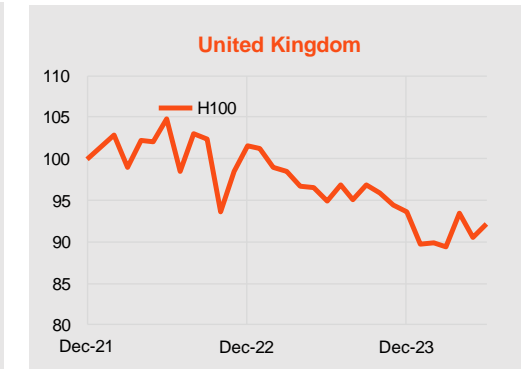
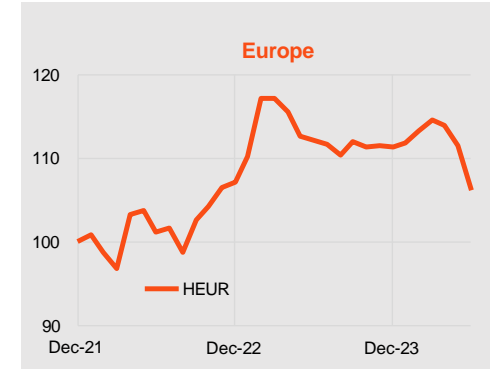
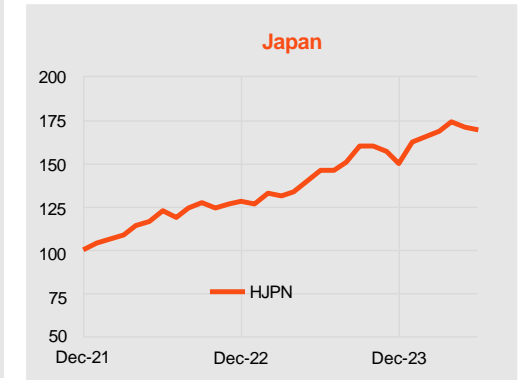
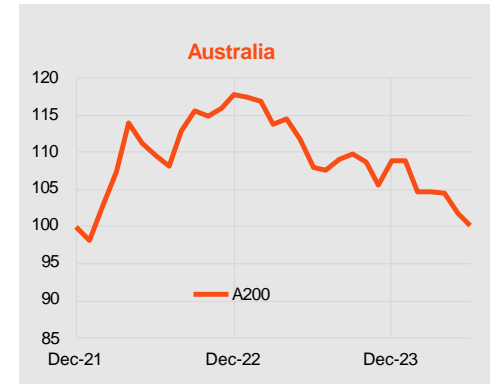
## Selected Betashares Global Equity Indices – June Performance

Global Equity Regions	Mth	Prev. mth	3-mth	prev. 3-mth	6-mth	12-mth
<b>MSCI ACWI</b>	<b>2.5%</b>	<b>3.7%</b>	<b>3.4%</b>	<b>9.5%</b>	<b>13.2%</b>	<b>20.7%</b>
A200	1.1%	0.9%	-1.0%	5.4%	4.4%	12.4%
HJPN	1.8%	1.5%	3.6%	23.6%	28.1%	39.9%
S&P 500	3.6%	5.0%	4.3%	10.6%	15.3%	24.6%
H100	-1.1%	2.1%	3.7%	4.0%	7.9%	12.8%
HEUR	-2.3%	1.5%	-4.2%	12.7%	8.0%	14.3%

Source: Bloomberg, Betashares. Shows the performance of the index that each ETF seeks to track, and not the ETF itself. Does not take into account ETF management fees and costs. You cannot invest directly in an index. **Past performance is not indicative of future performance of any index or ETF.**

## Selected Betashares Global Equity Index Exposures

Relative Performance Indices\*



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# Australian Markets

- Australian cash and bonds
- Australian equities
- Australian equity themes



# Australian cash and bonds

Despite a modest increase in near-term official rate hike risks, declining global bond yields flowed through to the Australian market in June, allowing the Bloomberg Australian Bond Composite Index to return 0.8% - in line with that from global bonds in AUD hedged terms. Cash returns, according to the Bloomberg Bank Bill Index, lifted another 0.4%.

There was a small 0.08% increase in one-year ahead of official cash rate expectations over the month, reflecting somewhat more hawkish rhetoric from the Reserve Bank concerning potentially sticky inflation. Local 10-year government bond yields, however, still managed to ease 0.10% to 4.31% p.a.

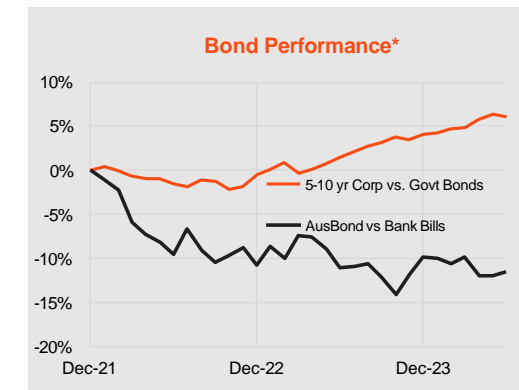
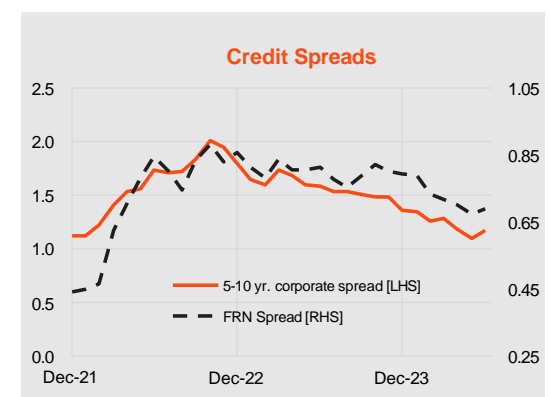
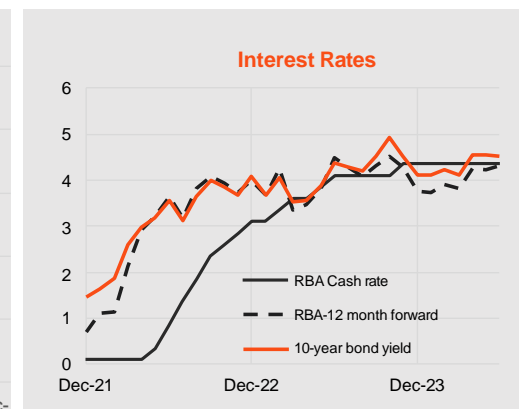
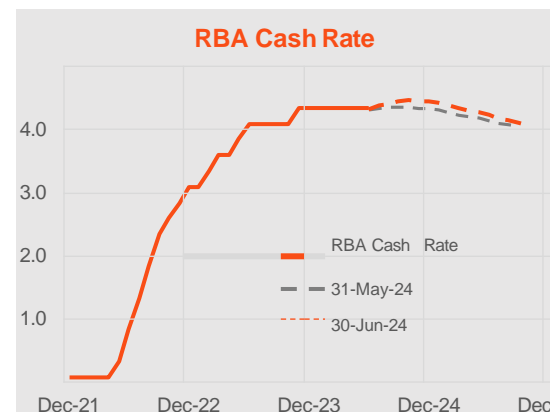
Indeed, fixed-rate bonds have experienced choppy sideways performance against cash since the peak in bond yields in October last year.

Corporate credit spreads ticked higher in the month, though still within a broadly declining trend since late 2022, which has allowed corporate bonds to outperform government bonds.

Australian Bonds	Last	Mth	Prev. mth	3-mth	prev. 3-mth	6-mth	12-mth
RBA Cash Rate (%)	4.35	000	0.00	0.00	0.00	0.00	0.25
RBA 12-mth exp. <sup>3</sup>	4.32	008	-0.03	0.50	0.06	0.56	-0.19
US 10-yr yield	4.397	-0.10	-0.18	0.20	0.32	0.52	0.56
Aust. 10-yr yield	4.31	-0.10	-0.01	0.35	0.01	0.36	0.29
FRN spread <sup>1</sup> (%)	0.69	001	-0.03	-0.03	-0.08	-0.11	-0.13
Hybrid Spread <sup>2</sup> (%)	6.60	1.00	1.00	3.00	0.98	3.98	3.75
5-10yr spread <sup>4</sup>	1.18	007	-0.09	-0.12	-0.07	-0.19	-0.42
AusBond Comp. yield	4.53	-003	0.00	0.41	0.01	0.42	0.15
AusBond Comp. Return Index		08%	0.4%	-0.8%	1.0%	0.2%	3.7%
B/Bg Bank Bill Return Index		04%	0.4%	1.1%	1.1%	2.2%	4.4%

Source: Bloomberg, Refinitiv, Betashares. \*Bloomberg AusBond Composite Index, Bloomberg Bank Bill Index, Bloomberg 5–10-year Australian Government and Corporate Bond Indices. Past performance is not indicative of future performance.

## Select Australian Interest Rates



Source: Bloomberg, Betashares

# Australian equities

The S&P/ASX 200 Total Return Index rose 1.0% in June after a 0.9% gain in May. The market ended the month still above the trading range it was stuck in for the previous few years.

Forward earnings declined by 0.5% in the month, reflecting further downgrades to expected earnings growth. Forward earnings are down 3.0% over the past year, and it's the weakness in earnings that largely accounts for the underperformance of the Australian market versus global peers.

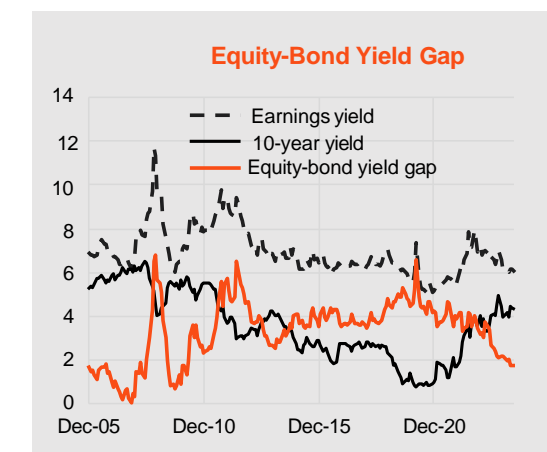
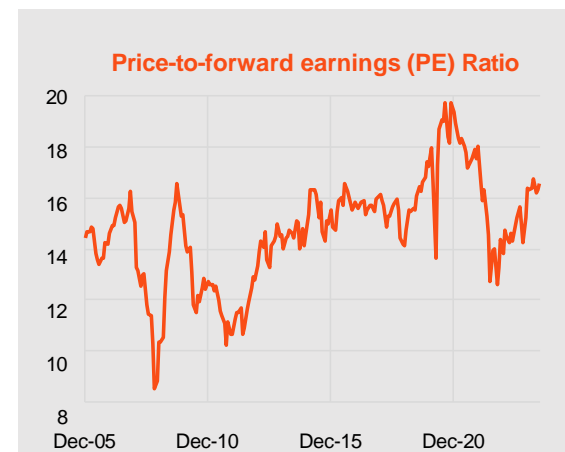
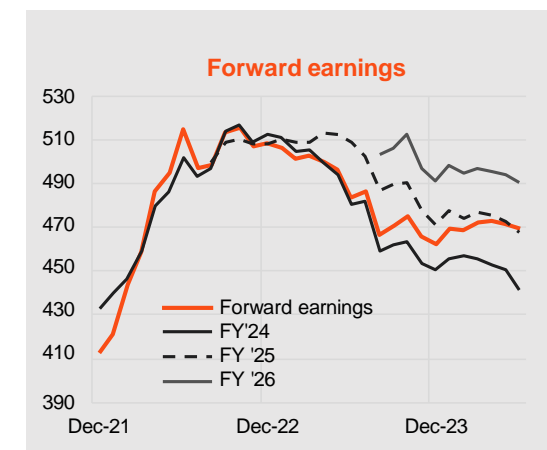
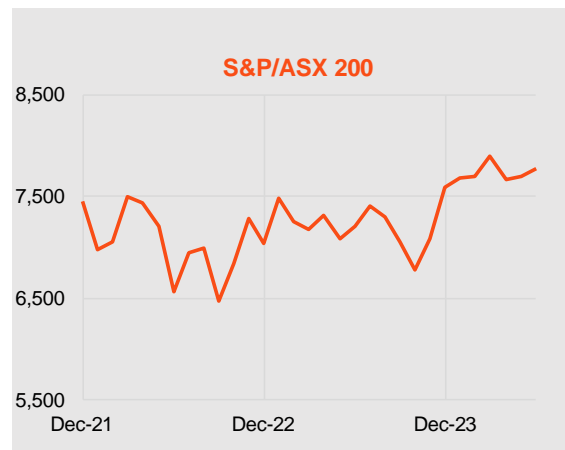
At 16.5, the forward PE ratio is at the top end of its range over recent decades (apart from the COVID period spike).

Given positive expected earnings growth in FY25, forward earnings should rise over the coming year, but at this stage not as much as expected by the global market. The recent downtrend in earnings expectations, due to sluggish economic growth and renewed rate hike fears, is also concerning.

Australian Equities	Last	Mth	Prev. mth	3-mth	prev. 3-mth	6-mth	12-mth
Aust. 10-yr yield	4.31	-0.10	-0.01	0.35	0.01	0.36	0.29
Equity-risk premium <sup>5</sup>	1.73	0.01	-0.03	-0.29	-0.12	-0.41	-0.96
Earnings yield <sup>6</sup>	6.04	-0.08	-0.04	0.06	-0.11	-0.05	-0.67
PE ratio <sup>7</sup>	16.5	1.4%	0.7%	-1.0%	1.9%	0.9%	11.1%
Forward Earnings <sup>8</sup>	469.4	-0.5%	-0.2%	-0.6%	2.1%	1.5%	-3.0%
S&P/ASX 200 Price Index	7,767	0.9%	0.5%	-1.6%	4.0%	2.3%	7.8%
Dividend		0.2%	0.4%	0.6%	1.3%	1.9%	4.3%
<b>Total Return</b>		<b>1.0%</b>	<b>0.9%</b>	<b>-1.1%</b>	<b>5.3%</b>	<b>4.2%</b>	<b>12.1%</b>

Source: Bloomberg, LSEG Datastream, Betashares. Past performance is not indicative of future performance.

## S&P/ASX 200 Equity Index



Source: Bloomberg, LSEG Datastream, Betashares. Past performance is not indicative of future performance.

# Australian equity themes

Within the Australian sharemarket, technology (ATEC), financials (QFN) and quality (AQLT) delivered relatively strong performances again in June – as has been the case over the past year - whereas small caps (SMLL) and resources (QRE) have tended to underperform.

The global trend towards technology and quality is being reflected in the Australian market, while the prospect of eventually lower local interest rates and a stronger housing market appear to be supporting financials. China woes continue to hold back resource stocks.

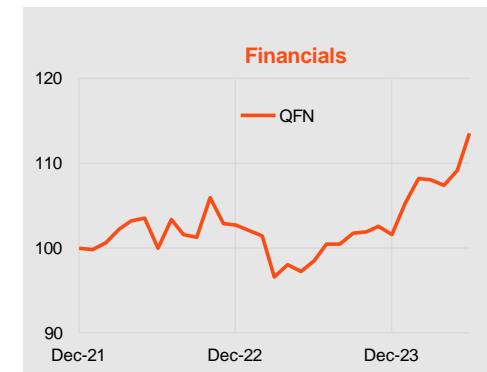
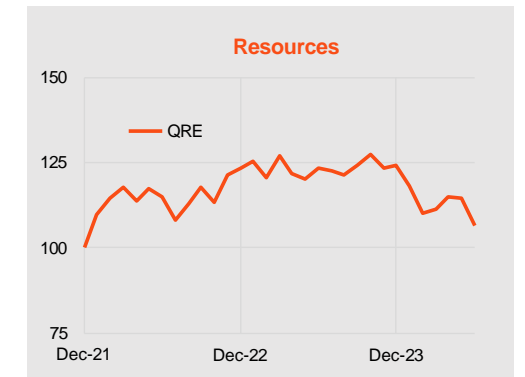
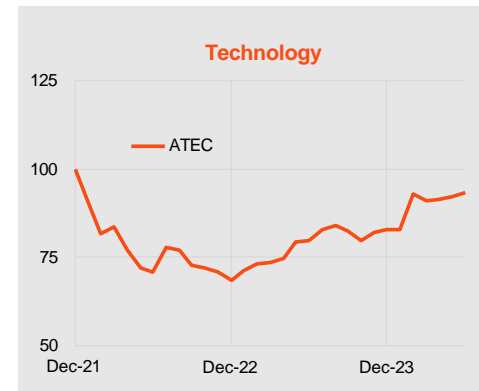
## Selected Betashares Australian Equity Indices – May Performance

Aust. Equity Returns	Mth	Prev. mth	3-mth	prev. 3-mth	6-mth	12-mth
<b>S&amp;P/ASX 200</b>	<b>1.0%</b>	<b>0.9%</b>	<b>-1.1%</b>	<b>5.3%</b>	<b>4.2%</b>	<b>12.1%</b>
ATEC	2.0%	2.0%	1.4%	15.4%	17.0%	31.2%
QFN	5.1%	2.6%	4.0%	12.0%	16.6%	29.2%
QRE	-6.0%	0.4%	-5.2%	-5.6%	-10.5%	-3.2%
AQLT	2.6%	2.4%	1.7%	9.8%	11.7%	22.7%
QOZ	0.6%	0.7%	-1.3%	6.1%	4.7%	14.2%
SMLL	0.8%	-1.0%	-4.0%	7.1%	2.8%	10.8%

Source: Bloomberg, Betashares. Shows the performance of the index that each ETF seeks to track, and not the ETF itself. Does not take into account ETF management fees and costs. You cannot invest directly in an index. Past performance is not indicative of future performance of any index or ETF.

## Selected Betashares Australian Equity Index Exposures

Relative Performance Indices\*



Source: Bloomberg, Betashares. Australian ETF indices vs. S&P/ASX 200. Index performance is used to show long term performance of the asset class. Chart shows performance of the index which the relevant ETF aims to track, not the actual past performance of the ETF. Index performance does not take into account ETF fees and costs. You cannot invest directly in an index. ETF may not have been in existence for entire period specified in the chart. Past performance is not an indicator of future performance.

# Additional information

1. FRN yield and return is based on that of the Bloomberg Floating Rate Bond Index. FRN spread is its yield difference to the 30-day bank bill rate.
2. Hybrid yield refers to average yield on 5-year to call AT1 hybrids. Hybrid spread is the difference in the hybrid yield and the 30-day bank bill rate. Hybrid returns are gross returns, which include franking credits. The actual after-tax hybrid return for investors will depend on their overall tax situation and ability to benefit from franking credits.
3. 12-month forward RBA/Fed expectation is the market implied expected change in the RBA/Fed cash rate over the coming 12 months, based on interest rate futures.
4. Yields and returns relating to 5–10-year government and credit exposures related to the Bloomberg 5-10 Year maturity Australian Government Bond Index and the 5-10 Year Bloomberg Australian Credit Index.
5. The equity-risk premium is defined as the difference between the equity market's forward-earnings yield (reciprocal of the forward PE ratio) and the 10-year government bond yield.
6. Forward earnings yield is the market's level of forward earnings divided by the equity price index.
7. The price to forward earnings (PE ratio) is the ratio of forward earnings to the equity price index.
8. Forward earnings are a time-weighted pro-rata average of the expected level of earnings for the current and following financial year. The weight on next year's earnings in the calculation grows as the new year approaches.
9. Global equity total returns includes estimated reinvested dividends and are in local currency terms. Australian equity returns also include estimated reinvested dividends and are in Australian dollar terms.

Further information on the complete range of Betashares exchange traded products can be found [here](#).

# Considerations when investing

## Investment risk

The value of an investor's portfolio can go down as well as up. Risks include:

- Market risk with equities
- Currency risk with international investments
- Interest rate risk with cash and bonds.

## No guarantees

Future outcomes are uncertain – desired return outcome may not be achieved.

## General information only

Today's discussion does not take into account any person's individual circumstances and is not personal financial advice.

## Professional advice

Investors should seek professional financial advice before investing.

## Research

See relevant Product Disclosure Statement for more information about risks and other features of each fund and consider the relevant Target Market Determination which sets out the class of consumers that comprise the target market for the relevant fund.

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Written by David Bassanese

Ex Treasury, OECD Macquarie Bank and AFR, Betashares Chief Economist and Author of the Australian ETF Guide.

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