

## Monthly economic report

### The global economy

Financial markets in November were focused on Donald Trump winning the US Presidential election and the potential impacts on the global economy, which caused some intra-month volatility. Uncertainty around the implications of the election on the US and global economies will persist for a while, as it will take time to see what policies will be implemented and when.

The US Federal Reserve (Fed) cut interest rates by 25bps, after delivering its first rate cut for this cycle in September (50bps). The Fed reiterated its cautious and gradual approach to rate cuts in light of a strong US economy and resilient labour market. Investors are unsure if the Fed will cut rates again in December or take a pause in its easing cycle. While US inflationary pressures have continued to ease, post-election uncertainty is complicating the economic outlook.

In contrast to the strength of the US economy, economic activity across Europe remains weak. The potential for tariffs to be imposed by the US and ongoing political uncertainty, particularly in France, has dampened investor sentiment.

Investors also remain pessimistic about the outlook for China's economy, as authorities announced new measures to reduce the debt servicing burdens of local governments rather providing direct fiscal stimulus to the economy. Some investors think that larger fiscal stimulus measures are likely to be announced early next year.

Central banks in the UK, Sweden and New Zealand also lowered interest rates further in November as inflation continues to fall. Investors expect these central banks to cut rates further in coming months.

### The Australian economy

The Reserve Bank of Australia's (RBA) held interest rates steady at its November meeting. Despite reducing its GDP growth and inflation forecasts, and raising its unemployment rate forecast, the RBA is not confident that inflation will return sustainably to 2.5% (the midpoint of its target). In particular, the RBA is worried that the continued resilience of Australia's labour market could see inflation remain elevated or even reaccelerate. RBA officials therefore continue to emphasise that near-term rate cuts are unlikely.

Investors are expecting the first 25bps rate cut to occur in May 2025, partly on the assumption that the RBA is waiting to see 2 more encouraging quarterly inflation prints (released late January and late April). While this may be the case, the RBA has said that it looks at a broader range of inflation data when making policy decisions, including forward-looking information from business surveys and its own business liaison program.

A rate cut could occur sooner, if inflation looks to be falling more quickly than the RBA has forecast and the labour market deteriorates more sharply. This would provide the RBA with confidence that underlying price pressures are genuinely subsiding.

# Financial market commentary

After a challenging month in October, November was more positive for global investors. Financial market volatility declined, while bond yields in most advanced economies fell and equity markets rose.

## Equity markets (performance in local currency, excluding dividends)

US equities rose strongly, boosted by the US election result, as Trump's proposed corporate tax cuts and deregulation agenda are seen as positive for corporate earnings. Financial stocks performed strongly, as did Tesla's share price (+38%) due to Elon Musk's role in the Trump administration.

The ASX200 was also boosted by the US election result, rising 3.4% in November, which drove further gains in Australian banks' share prices. However, ongoing concerns about China's economy continued to weigh on the share prices of mining companies.

European equities rose 1%, underperforming other advanced economies in November (except Japan), and have underperformed in 2024 to date. The weakness has been concentrated in France, where political uncertainty has been elevated. More broadly, investors are concerned about the growth outlook for Europe because of weak economic conditions, ongoing political uncertainty and the impact of potential US tariffs on European manufacturing industries. The latter has weighed on the share prices of companies that would be most negatively impacted by tariffs, including car manufacturers.

## Bond yields

US 10-year bond yields fell 12bps in November, reversing a small part of the rise since mid-September, though were more volatile throughout the month. Yields rose after Donald Trump won the US Presidential election, as Trump's policies are widely perceived to be inflationary and pro-growth. However, yields declined when Scott Bessent was nominated for the role of Treasury Secretary as investors perceive him to be a moderating influence on Trump's trade and economic policies.

Australian 10-year bond yields fell 16bps, alongside the decline in US yields. TCorp bond yields fell broadly in line with Commonwealth Government bond yields in November.

European bond yields fell more sharply in the month, with German 10-year yields down 30bps. Ongoing political uncertainty in France has seen the spread between 10-year French and German Government bonds increase to its widest level since 2012 (80bps). For the first time in (at least) recent history, French 10-year bond yields are trading around the same level as Greek bond yields.

## Currency and commodity markets

The Australian dollar depreciated by a further 1.1% against the US dollar, weighed down by the negative sentiment around China's economy. The Australian dollar has fallen from US\$0.69 to US\$0.65 since the start of October.

Oil prices ended November little changed overall (-0.3%), though geopolitical conflicts between Russia and Ukraine and in the Middle East caused price volatility throughout the month. Oil prices remain near the bottom of the range that they have traded in this year, which is helpful for global inflationary pressure to continue to subside.

## Financial market performance

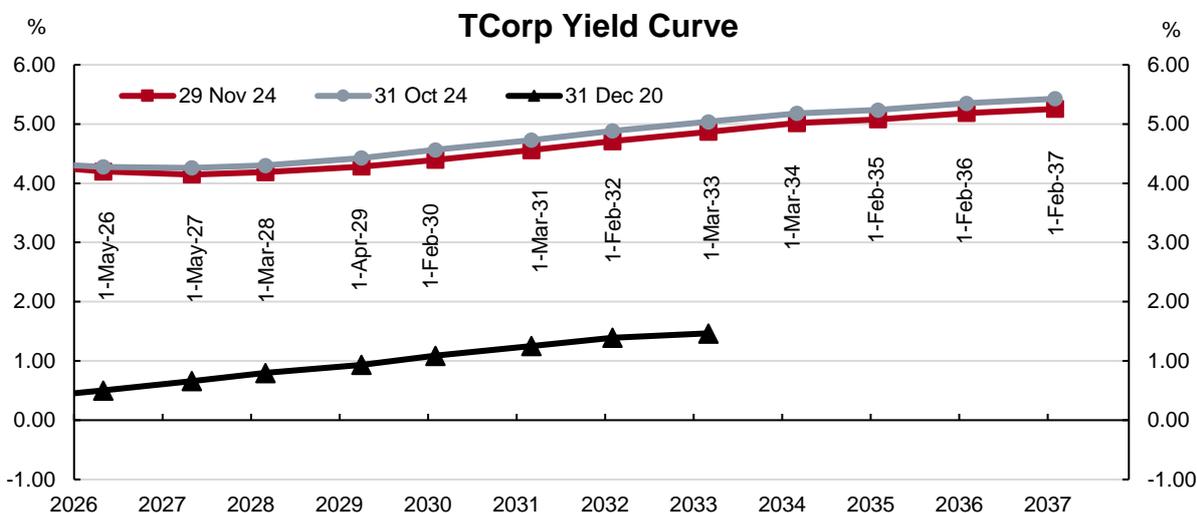
Currency markets November 2024	Previous month close	Month high	Month low	Month close	Month change
AUD/USD	0.658	0.668	0.645	<b>0.651</b>	-1.1% ▼
AUD/EUR	0.605	0.624	0.605	<b>0.616</b>	1.8% ▲
AUD/JPY	100.07	102.15	97.53	<b>97.53</b>	-2.5% ▼
AUD/GBP	0.510	0.519	0.507	<b>0.511</b>	0.2% ▲
AUD/BRL	3.809	3.906	3.729	<b>3.889</b>	2.1% ▲
AUD/INR	55.34	56.35	54.48	<b>55.02</b>	-0.6% ▼
AUD/CNY	4.685	4.771	4.664	<b>4.719</b>	0.7% ▲

Equity markets* November 2024	Previous month close	Month high	Month low	Month close	Month change
MSCI World ex Australia	3745	3913	3754	<b>3913</b>	4.5% ▲
MSCI Emerging Markets	1120	1141	1079	<b>1079</b>	-3.7% ▼
S&P/ASX200	8160	8444	8119	<b>8436</b>	3.4% ▲
S&P/ASX Small Ordinaries	3159	3199	3109	<b>3199</b>	1.3% ▲
S&P500 (US)	5705	6032	5713	<b>6032</b>	5.7% ▲
FTSE 100 (UK)	8110	8292	8026	<b>8287</b>	2.2% ▲
Stoxx600 (Europe)	505	512	500	<b>510</b>	1.0% ▲
DAX (Germany)	19078	19626	19003	<b>19626</b>	2.9% ▲
CAC 40 (France)	7350	7427	7143	<b>7235</b>	-1.6% ▼
Nikkei 225 (Japan)	39081	39533	38026	<b>38208</b>	-2.2% ▼
Hang Seng (HK)	20317	21007	19151	<b>19424</b>	-4.4% ▼
Shanghai Composite (China)	3280	3471	3260	<b>3326</b>	1.4% ▲
Bovespa (Brazil)	129713	130661	124610	<b>125668</b>	-3.1% ▼
IPC (Mexico)	50661	52311	49722	<b>49813</b>	-1.7% ▼
S&P/BSE Sensex (India)	79389	80378	77156	<b>79803</b>	0.5% ▲

\*Returns are in local currency, and exclude dividend payments

Bond markets (%) November 2024	Previous month close	Month high	Month low	Month close	Month change
RBA Official Cash Rate	4.35	4.35	4.35	<b>4.35</b>	0.00 –
90 Day Bank Bill	4.42	4.43	4.41	<b>4.43</b>	0.01 ▲
180 Day Bank Bill	4.64	4.68	4.64	<b>4.66</b>	0.02 ▲
New institutional term deposits	4.70	4.70	4.60	<b>4.60</b>	-0.10 ▼
3 Year CGS Bond	4.02	4.22	3.91	<b>3.91</b>	-0.11 ▼
10 Year CGS Bond	4.50	4.70	4.34	<b>4.34</b>	-0.16 ▼
10 Year US Bond	4.28	4.45	4.17	<b>4.17</b>	-0.12 ▼
10 Year German Bond	2.39	2.45	2.09	<b>2.09</b>	-0.30 ▼
10 Year Japanese Bond	0.95	1.10	0.94	<b>1.05</b>	0.10 ▲

TCorp bonds (%)	Previous month close	Month high	Month low	Month close	Month change
<b>November 2024</b>					
20-May-26	4.28	4.40	4.19	<b>4.20</b>	-0.08 ▼
20-May-27	4.26	4.41	4.15	<b>4.15</b>	-0.11 ▼
20-Mar-28	4.30	4.47	4.19	<b>4.19</b>	-0.11 ▼
20-Apr-29	4.43	4.60	4.28	<b>4.28</b>	-0.14 ▼
20-Feb-30	4.56	4.72	4.40	<b>4.40</b>	-0.17 ▼
20-Mar-31	4.73	4.89	4.56	<b>4.56</b>	-0.17 ▼
20-Feb-32	4.88	5.04	4.71	<b>4.71</b>	-0.17 ▼
08-Mar-33	5.04	5.20	4.87	<b>4.87</b>	-0.17 ▼
20-Mar-34	5.18	5.35	5.02	<b>5.02</b>	-0.16 ▼
20-Feb-35	5.24	5.40	5.08	<b>5.08</b>	-0.16 ▼
20-Feb-36	5.35	5.52	5.18	<b>5.18</b>	-0.17 ▼
20-Feb-37	5.43	5.58	5.26	<b>5.26</b>	-0.17 ▼
CIB 2.75% 20 Nov 25	1.52	1.52	1.52	<b>1.52</b>	0.00 –
CIB 2.50% 20 Nov 35	2.77	2.85	2.78	<b>2.78</b>	0.01 ▲



Source: TCorp

Commodity markets (US\$)	Previous month close	Month high	Month low	Month close	Month change
<b>November 2024</b>					
Brent Oil (per barrel)	73.2	75.6	71.0	<b>72.9</b>	-0.3% ▼
Iron Ore (per tonne)	102.4	105.5	99.8	<b>104.2</b>	1.8% ▲

TCorp forecasts	Dec-24	Jun-25	Dec-25	Jun-26
RBA Official Cash Rate	4.10	3.60	2.85	2.35
90 Day Bank Bill	4.00	3.10	2.50	2.50
10 Year CGS Bond	4.00	3.25	3.25	3.50

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