Market Trends

November 2023

with Chief Economist
David Bassanese

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November 2023

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Market overview – November 2023

Major Asset Class Performance

	Mth	Prev. mth	3-mth	prev. 3-mth	6-mth	12-mth
Defensive Assets	**2.8%**	**-1.3%**	**0.0%**	**-0.5%**	**-0.4%**	**0.8%**
Cash	0.3%	0.3%	1.0%	1.0%	2.1%	3.8%
Aust. Bonds	3.0%	-1.8%	-0.5%	-0.7%	-1.2%	0.2%
Global Bonds	3.2%	-0.8%	0.5%	-0.5%	0.0%	0.9%
Gold	2.6%	7.3%	5.0%	-1.1%	3.8%	15.1%
Growth Assets	**4.9%**	**-2.3%**	**-1.3%**	**5.6%**	**4.2%**	**8.4%**
A-REITs	10.9%	-5.7%	-4.5%	6.1%	1.3%	0.7%
Aust. Equities	5.0%	-3.8%	-1.8%	3.9%	2.0%	1.5%
Global Equities-$A	4.3%	-1.1%	-0.8%	6.5%	5.7%	13.1%
Balanced Portfolio	**3.8%**	**-1.8%**	**-0.7%**	**2.6%**	**1.9%**	**4.6%**
MSCI ACWI - LC	8.1%	-2.7%	1.4%	6.5%	8.1%	11.3%
$A vs World	3.6%	-1.6%	2.3%	0.0%	2.3%	-1.6%

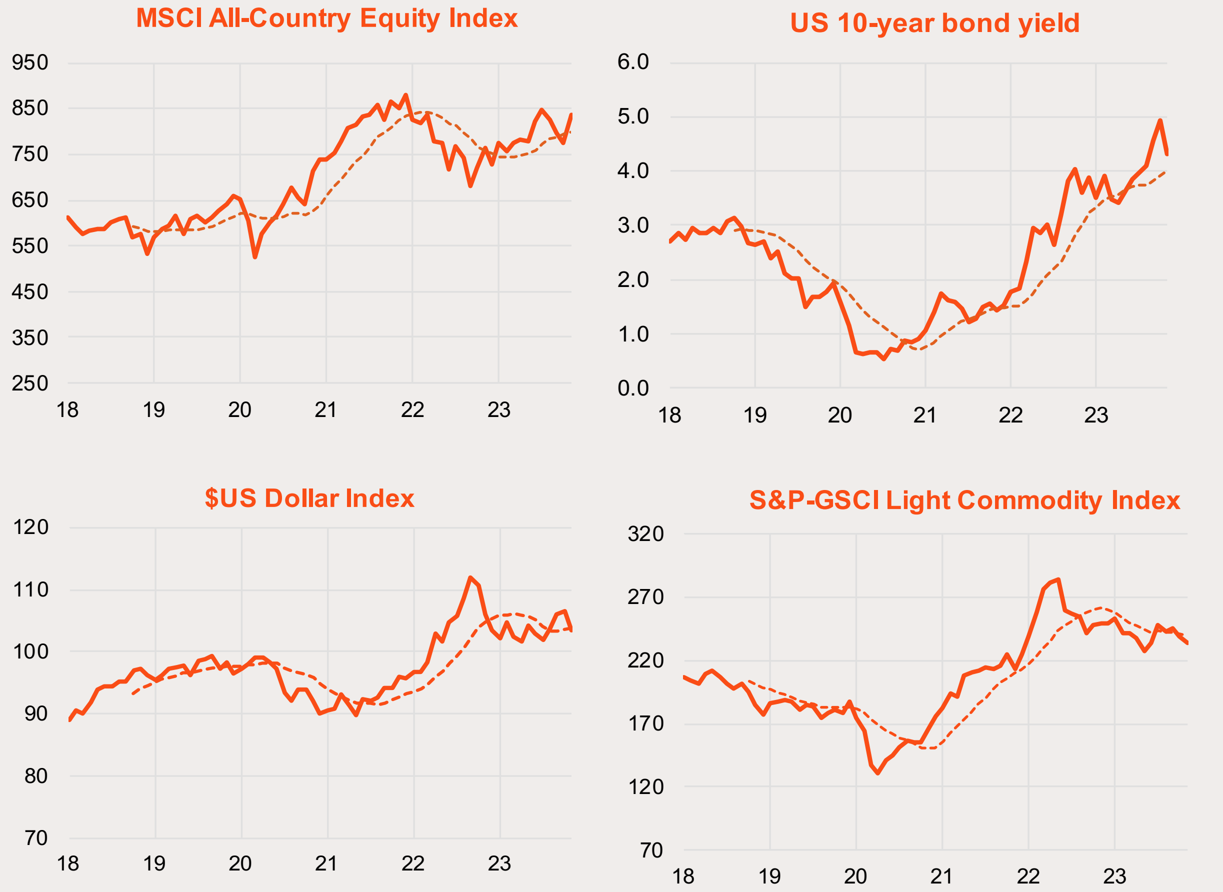
Source: Bloomberg. Past performance is not indicative of future performance. Defensive, growth and Balanced portfolio returns based on asset weights for the Betashares strategic balanced managed portfolio.

Both defensive and growth assets strengthened in November, with the latter outperforming the former, as a sharp reversal in bond yields boosted the value of both bonds and equities. The decline in bond yields reflected easing US inflation and growing hopes that the US Federal Reserve had not only finished raising interest rates but could cut them as early as H1'2024.

Growth assets returned 4.9%, with Australian equities up 5.0% and the interest rate-sensitive listed property sector rallied 10.9%. Reflecting AUD strength, unhedged global equities returned 4.3%, somewhat weaker than the hedged return of 8.1%.

Among defensive assets, both global and Australian fixed-rate bonds outperformed cash, reflecting the drop in bond yields. Gold prices also strengthened, reflecting lower bond yields and a weaker US dollar.

Key Global Market Trends



Source: Bloomberg, Refintiv, Betashares. You cannot invest directly in an index. **Past performance is not indicative of future performance.**

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Cash returns

Cash returns were boosted by the RBA cash rate increase of 0.25% p.a. in November, raising the official cash rate to 4.35% p.a. This followed a steady cash rate over the previous five months.

The rate hike followed a higher-than-expected Q3 CPI result, which in turn reflected still generally firm domestic demand – helped by high immigration – that has left corporate Australia with a degree of pricing power.

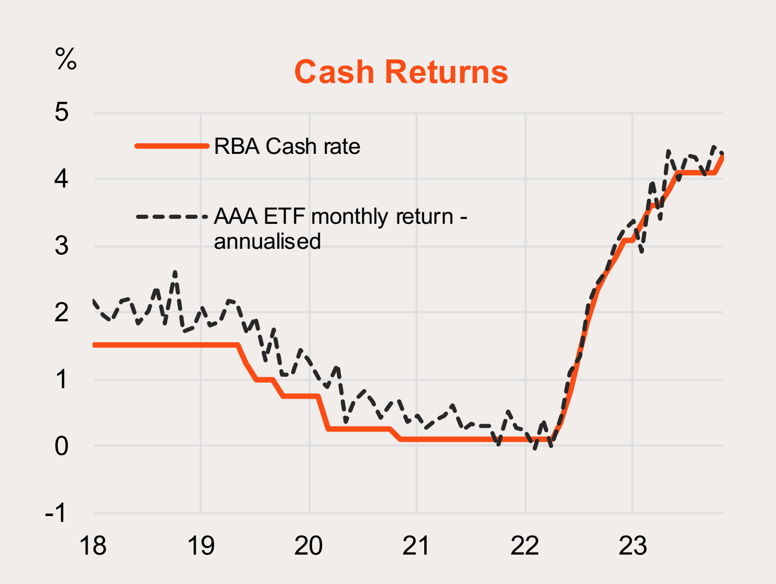
Reflecting the 4.35% p.a. official cash rate, the Bloomberg Bank Bill Index returned 0.35% in November (4.28% annualised), as did the AAA cash ETF. AAA's returns have broadly matched the RBA cash rate since early 2022.

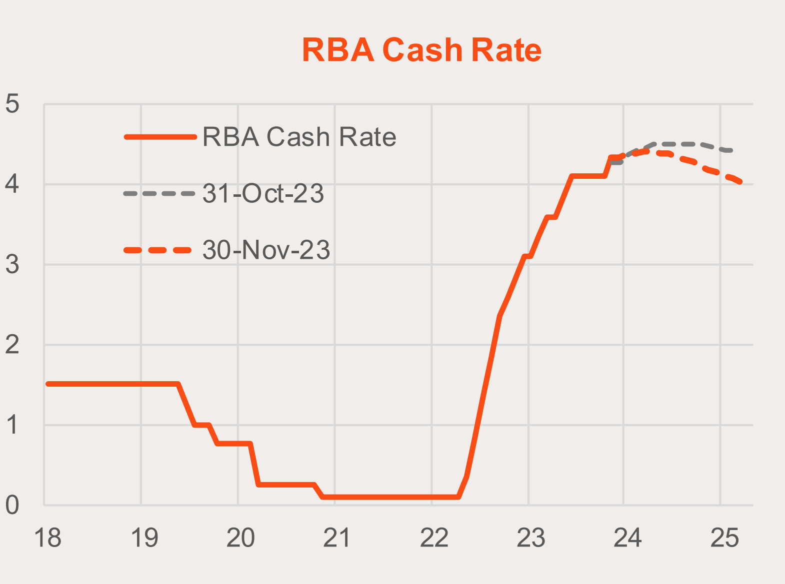
Despite the November rate hike, markets expectations for rate cuts in late 2024 increased modestly over the month, reflecting the shift in global central bank sentiment.

As at end-November, markets were pricing a modest 20% chance of a further rate hike in H1'24 – and a 60% chance of a rate cut over H2'24.

My base case is two rates cuts in H2'24.

Cash Returns	Last	Mth	Prev. mth	3-mth	prev. 3-mth	6-mth	12-mth
RBA Cash Rate (%)	4.35	0.25	0.00	0.25	0.25	0.50	1.50
30-day bank bill yield (%)	4.37	0.02	0.21	0.24	0.15	0.39	1.28
B/Bg Bank Bill Return Index		0.35%	0.33%	1.03%	1.04%	2.08%	3.76%
AAA ETF		0.36%	0.37%	1.06%	1.04%	2.11%	3.91%





Source: Bloomberg, Refintiv, Betashares. AAA ETF returns are shown after fund management costs.
Past performance is not indicative of future performance.

Floating rate bonds and hybrids

Floating rate bonds (FRBs), as measured by QPON's index, returned 0.5% in November - again marginally more than AAA. The relatively steady FRB spread since mid-2022 has seen QPON broadly outperform AAA over this period (5.2% versus 3.9% over the past 12-months).

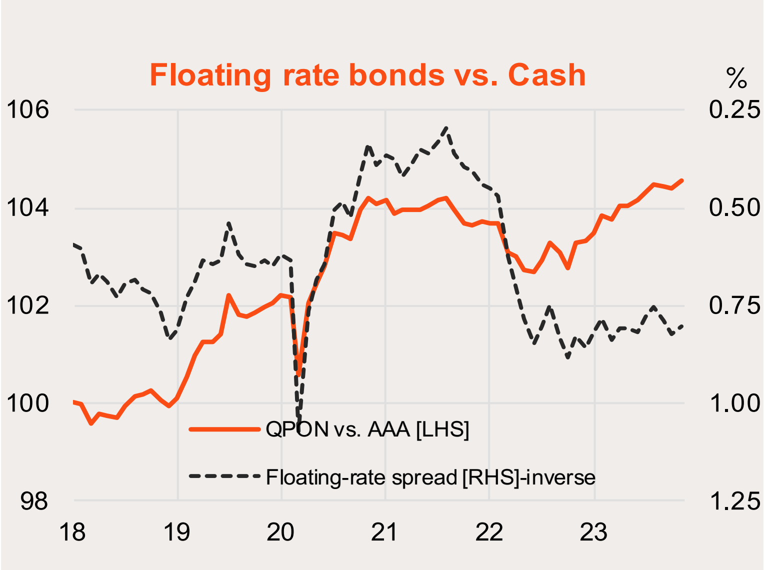
The FRB spread has remained broadly in line with its pre-Covid average over the two years.

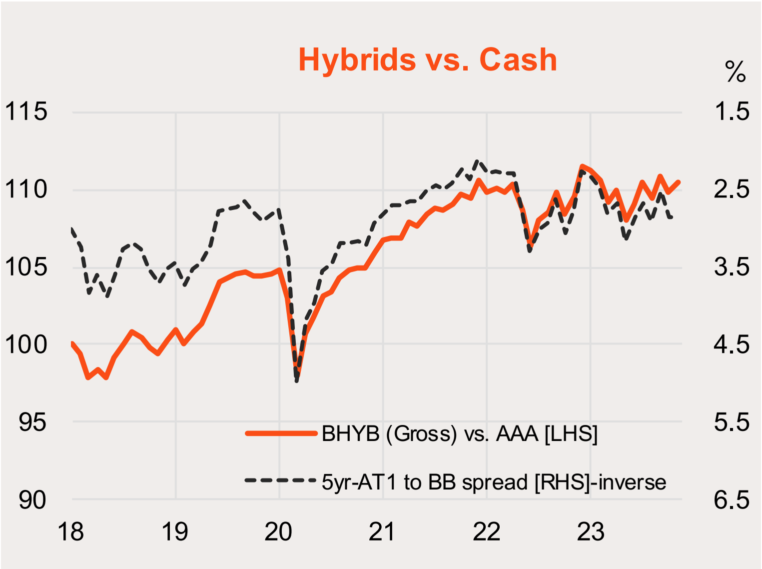
Bank hybrids, as measured by BHYB's index, returned 0.97% in November, with the hybrid spread remaining steady over the month. Over the past 12-months, bank hybrid gross returns were 6.9%.

The hybrid spread has also been in a choppy sideways range in recent months, though remains somewhat tighter than the average spread of around 3.5% in the two years prior to the 2020 Covid crisis.

FRBs and Hybrids	Last	Mth	Prev. mth	3-mth	prev. 3-mth	6-mth	12-mth
FRB spread[1] (%)	0.82	0.03	0.04	0.05	-0.03	0.02	-0.06
FRB Yield (%)	5.17	0.00	0.25	0.29	0.10	0.38	1.25
FRB Return (%)		0.5%	0.37%	1.20%	1.34%	2.56%	4.89%
QPON's index		0.50%	0.32%	1.12%	1.49%	2.62%	5.17%
Hybrid Spread[2] (%)	2.85	0.00	0.33	-0.05	-0.27	-0.32	0.07
Hybrid yield (%)	7.22	0.02	0.54	0.19	-0.12	0.07	1.35
BHYB's index		0.97%	-0.63%	2.58%	2.84%	5.49%	6.90%

Source: Bloomberg, Refintiv, Betashares. Refer to page 11 for more additional information. Shows the performance of the index that QPON and BHYB seeks to track, and not the ETF itself. Does not take into account ETF management fees and costs (0.22% p.a. for QPON and 0.35% p.a. for BHYB). You cannot invest directly in an index. **Past performance is not indicative of future performance of any index or ETF.**





Source: Bloomberg, Refintiv, Betashares. Shows the performance of the index that QPON and BHYB seeks to track compared to the AAA ETF, and not QPON or BHYB itself. Does not take into account QPON or BHYB's management fees and costs (0.22% p.a. for QPON and 0.35% p.a. for BHYB). You cannot invest directly in an index. **Past performance is not indicative of future performance of any index or ETF.**

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Fixed-rate Australian bonds

Reflecting global trends, long-term bond yields declined notably in November, partly unwinding the sharp yield increases in earlier months.

Australian 10-year bond yields fell 0.51% to 4.41% p.a. while the yield on the Bloomberg AusBond Composite Index fell 0.42% to 4.52% p.a. As a result, the AusBond Composite Index returned 3.0% in the month, while OZBD's index returned 3.6%.

Bonds have underperformed cash due to rising bond yields this year, as markets have moved from fearing a global recession to 'higher for longer' interest rates due to global and domestic economic resilience.

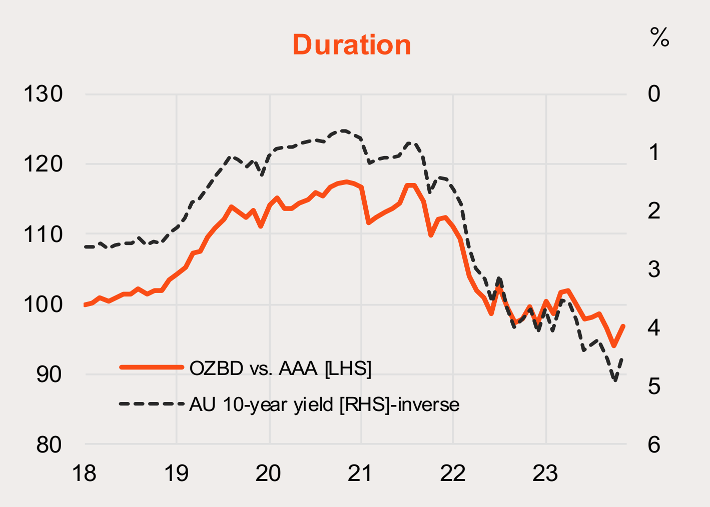
Easing global inflation in November caused markets to refocus on possible rate cuts next year - *even without a global recession.*

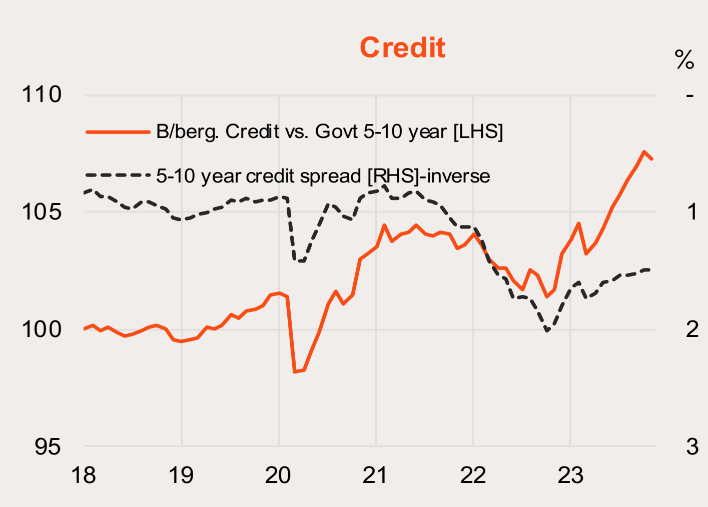
Corporate fixed-rate credit spreads held fairly steady during the month, with corporate bonds broadly matching government bond performance. That said, the former have outperformed the latter over the past year due to a higher starting yield and a narrowing in credit spreads.

Fixed-Rate Bonds	Last	Mth	Prev. mth	3-mth	prev. 3-mth	6-mth	12-mth
RBA 12-mth expect.[3]	4.28	-0.23	0.21	0.18	0.27	0.45	0.55
Aust. 10-yr yield	4.41	-0.51	0.44	0.39	0.42	0.81	0.88
AusBond Comp. yield	4.52	-0.42	0.41	0.33	0.32	0.65	0.83
AusBond Comp. Return Index		3.0%	-1.8%	-0.5%	-0.7%	-1.2%	0.2%
OZBD ETF		3.6%	-2.3%	-0.7%	-0.5%	-1.2%	1.1%

Long-duration credit	Last	Mth	Prev. mth	3-mth	prev. 3-mth	6-mth	12-mth
5-10yr spread[4]	1.50	0.00	-0.02	-0.05	-0.06	-0.11	-0.46
5-10yr Govt Bonds		3.9%	-2.7%	-1.1%	-1.5%	-2.6%	-1.1%
5-10yr Credit		3.6%	-2.1%	-0.3%	0.5%	0.2%	4.3%
Credit vs Govt		-0.3%	0.6%	0.8%	2.0%	2.7%	5.4%

Source: Bloomberg, Refintiv, Betashares. Refer to page 11 for more additional information. Shows the performance of the index that OZBD seeks to track, and not the ETF itself. Does not take into account ETF management fees and costs (0.19% p.a.). You cannot invest directly in an index. **Past performance is not indicative of future performance of any index or ETF.**





Source: Bloomberg, Refintiv, Betashares. Shows the performance of the index that OZBD seeks to track compared to the AAA ETF, and not the ETF itself. Does not take into account ETF management fees and costs (0.19% p.a.). You cannot invest directly in an index. **Past performance is not indicative of future performance of any index or ETF.**

Australian equities

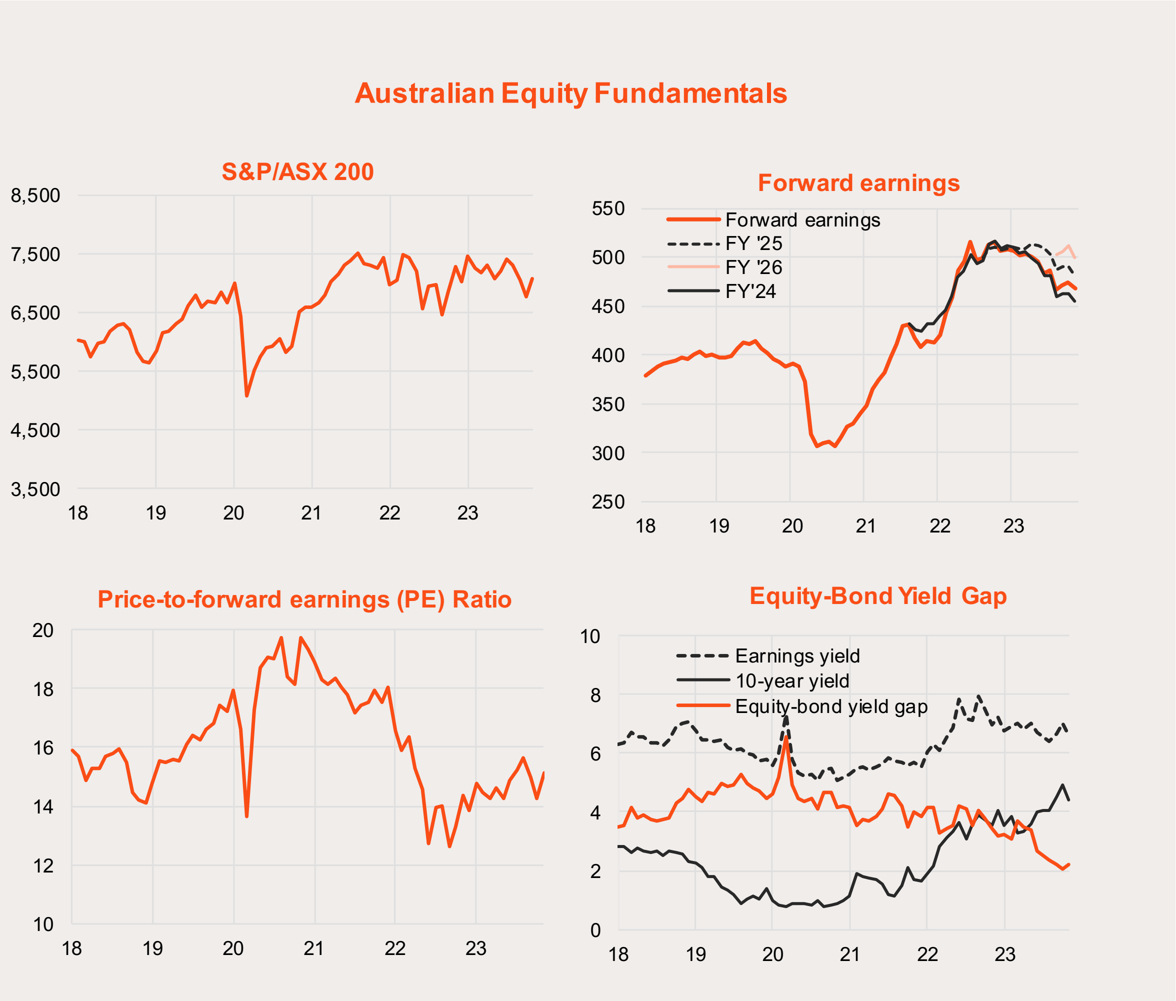
The S&P/ASX 200 Index returned 4.5% in November. In turn, this reflected a rebound in the PE ratio - from 14.3 to 15.1 - in the face of sharply declining bond yields.
This was partly offset by a 1.4% dip in forward earnings, with earnings expectations remaining under downward pressure.

Given the decline in bond yields, the rise in the PE ratio (and equity prices) would have been greater were it not for a lift in the still relatively low equity-risk premium to 2.2%.

Allowing for dividends, total returns from the market were 5.0%.

After recovering from the 2022 sell-off up until earlier this year, the market has since moved in a choppy sideways range in recent months due to generally falling earnings, partly offset by a rising PE ratio (which in turn reflected a narrowing equity-risk premium).

Australian Equities	Mth	Prev. mth	3-mth	prev. 3-mth	6-mth	12-mth
Aust. 10-yr yield	-0.51	0.44	0.39	0.42	0.81	0.88
Equity-risk premium[5]	0.12	-0.12	-0.17	-1.03	-1.20	-1.24
Earnings yield[6]	-0.40	0.32	0.22	-0.61	-0.39	-0.35
PE ratio[7]	6.0%	-4.6%	-3.3%	9.6%	5.9%	5.4%
Forward Earnings[8]	-1.4%	0.8%	0.4%	-6.0%	-5.7%	-7.7%
S&P/ASX 200 Price Index	4.5%	-3.8%	-3.0%	3.0%	-0.1%	-2.7%
Dividend	0.5%	0.0%	1.2%	0.9%	2.1%	4.2%
Total Return	**5.0%**	**-3.8%**	**-1.8%**	**3.9%**	**2.0%**	**1.5%**



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

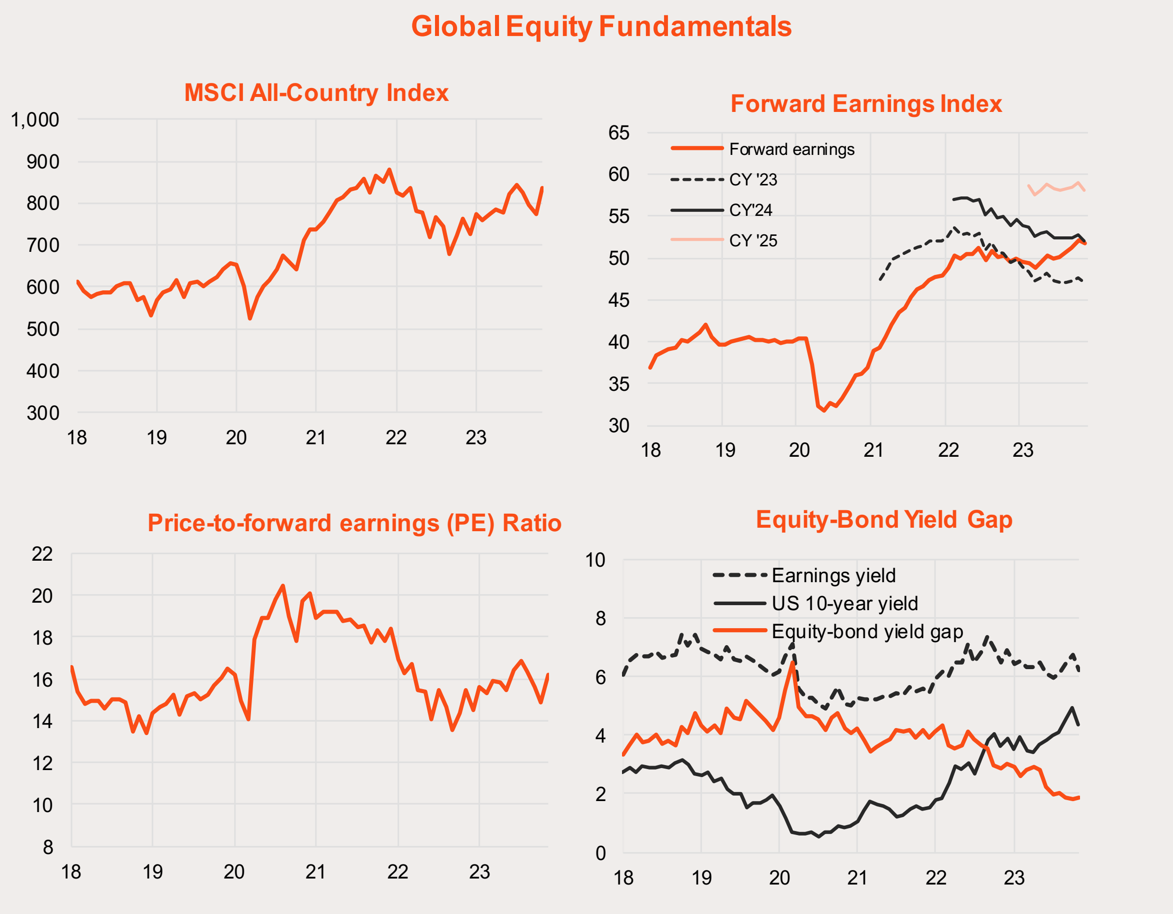
Global equities

The MSCI All-Country World Index returned 8.1% in November on an unhedged (local currency) basis as falling bond yields helped boost PE ratios, which were partly offset by a small fall in forward earnings. A stronger AUD, however, constrained returns in unhedged AUD terms to 4.3%.

Global equities have outperformed Australian equities over the past year largely because of a stronger uplift in forward earnings (+4.5% vs 7.7% earnings decline in Australia).

Easing fears of a global recession and possible central bank rate cuts next year bode well for the global equity outlook. That said, at 16.2x and 1.9% respectively, the PE ratio and equity risk premium appear a little stretched by recent historic standards, suggesting further equity gains may require a decent further decline in bond yields and/or lift in forward earnings.

Global Equities	Mth	Prev. mth	3-mth	prev. 3-mth	6-mth	12-mth
US 10-yr yield	-0.61	0.36	0.22	0.46	0.68	0.72
Equity-risk premium[5]	0.07	-0.06	-0.16	-0.79	-0.95	-1.01
Earnings yield[6]	-0.54	0.30	0.06	-0.33	-0.27	-0.29
PE ratio[7]	8.7%	-4.5%	-0.9%	5.4%	4.4%	4.7%
Forward Earnings[8]	-0.7%	1.8%	2.1%	0.7%	2.8%	4.5%
MSCI ACWI Price Index	7.9%	-2.8%	1.1%	6.1%	7.2%	9.4%
Dividend	0.2%	0.1%	0.4%	0.5%	0.9%	1.9%
Total Return-hedged	8.1%	-2.7%	1.4%	6.5%	8.1%	11.3%
$A vs World	3.6%	-1.6%	2.3%	0.0%	2.3%	-1.6%
Total return-$A basis	**4.3%**	**-1.1%**	**-0.8%**	**6.5%**	**5.7%**	**13.1%**



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

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Global equity themes

Lower bond yields supported returns from technology-related exposures such as HNDQ's index and (to a degree) HQLT's index in November, though MNRS' index also gained due to gold price strength. That said, even global financials (BNKS' index) did well.

HNDQ and HQLT's indices also performed reasonably well in earlier months when bond yields were rising, suggesting an investor preference for reliable quality/large-cap stocks amid economic uncertainty. The artificial intelligence boom since the advent of ChatGPT has added to the attraction of technology stocks.

By contrast, weaker oil prices limited the performance of FUEL's index in November.

Being somewhat 'defensive' in nature, the indices for DRUG and FOOD also produced more modest returns over the month.

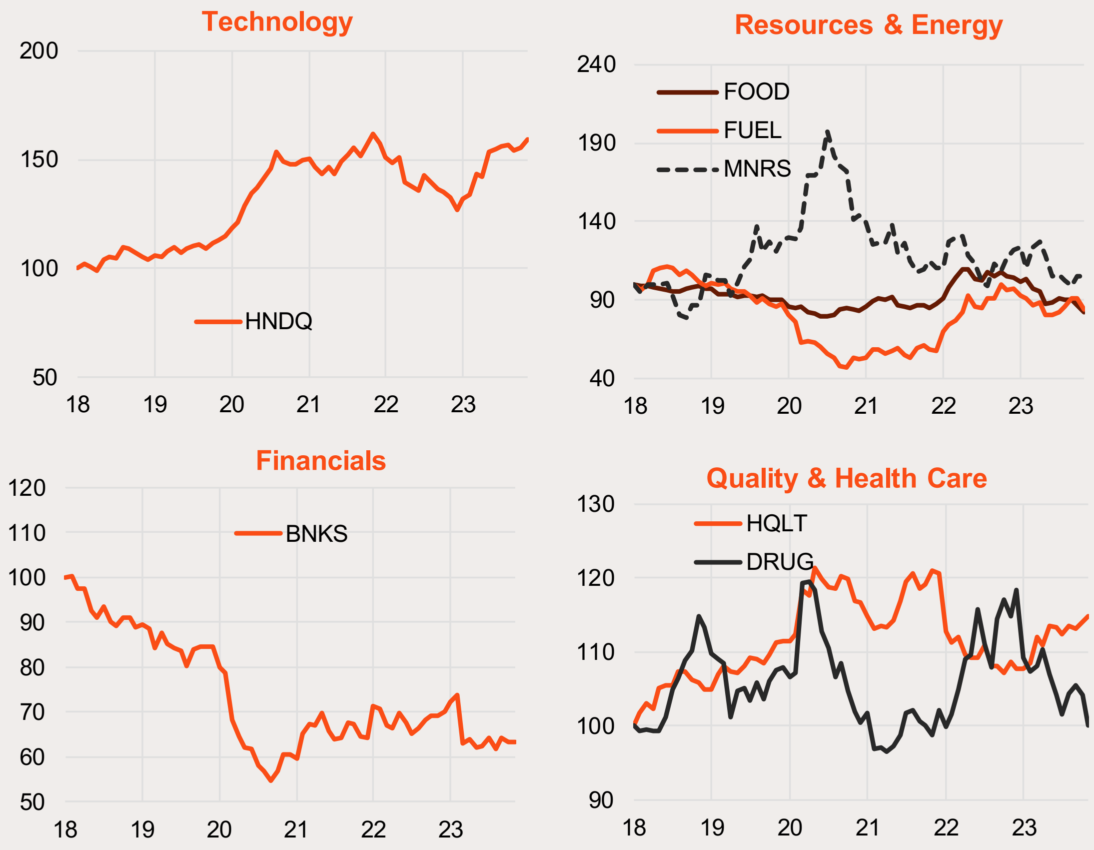
Selected Betashares Global Equity Indices – November Performance

Global Equitiy Returns[9]	Mth	Prev. mth	3-mth	prev. 3-mth	6-mth	12-mth
MSCI ACWI	**8.1%**	**-2.7%**	**1.4%**	**6.5%**	**8.1%**	**11.3%**
HNDQ	10.8%	-2.0%	3.0%	8.9%	12.2%	33.4%
HQLT	8.7%	-2.0%	2.6%	6.5%	9.3%	17.5%
FUEL	0.2%	-3.6%	-0.8%	13.9%	12.9%	-3.3%
BNKS	8.3%	-4.3%	4.1%	6.2%	10.5%	2.3%
DRUG	3.9%	-3.9%	-2.7%	3.8%	1.1%	-3.0%
FOOD	2.5%	-6.6%	-7.4%	9.2%	1.2%	-12.8%
MNRS	8.2%	3.5%	4.0%	-7.5%	-3.8%	0.2%

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.

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Australian equity themes

As was the case globally, the local technology-related index that ATEC aims to track rebounded solidly in November (8.4%) off the back of declining bond yields. Australian quality stocks, as measured by AQLT's index, were not far behind with a 6.4% return.

Over the past six to 12 months, all four selected Australian equity theme indices - financials, resources, technology and quality - have tended to outperform the broader market. This reflects the fact certain sectors - such as health care, consumer staples and A-REITs - have been the biggest laggards in the market.

Selected Betashares Australian Equity Indices – November Performance

Aust. Equity Returns[9]	Mth	Prev. mth	3-mth	prev. 3-mth	6-mth	12-mth
S&P/ASX 200	**5.0%**	**-3.8%**	**-1.8%**	**3.9%**	**2.0%**	**1.5%**
ATEC	8.4%	-7.0%	-3.9%	9.8%	5.5%	17.5%
QFN	5.7%	-3.6%	0.3%	7.3%	7.6%	1.1%
QRE	1.8%	-1.3%	-0.2%	5.0%	4.8%	3.2%
AQLT	6.4%	-5.2%	-1.7%	5.9%	4.1%	5.8%

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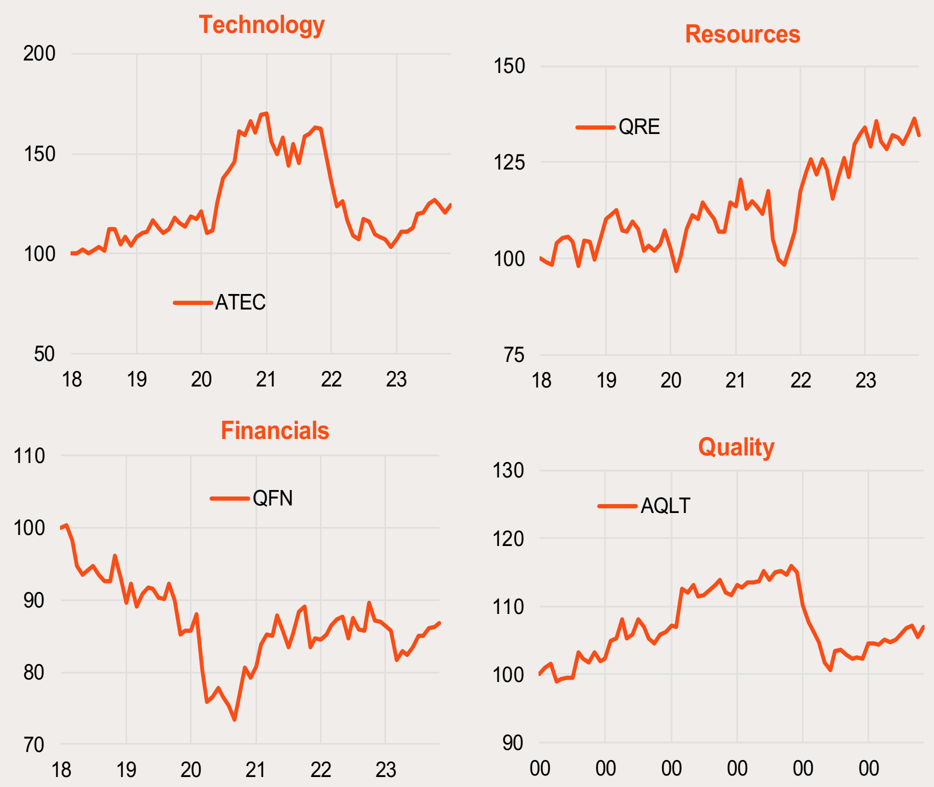
Selected Betashares Australian Equity Index Exposures

*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.

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Additional information

1. FRB yield and return is based on that of the Bloomberg Floating Rate Bond Index. FRB 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 expectation is the market implied expected change in the RBA 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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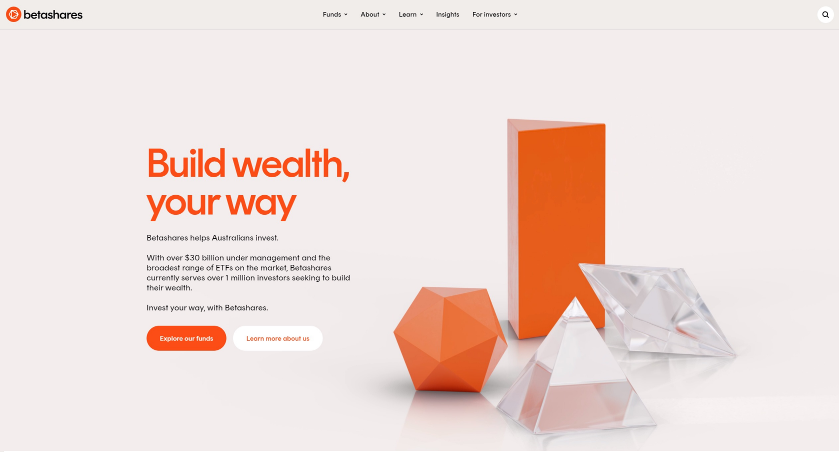
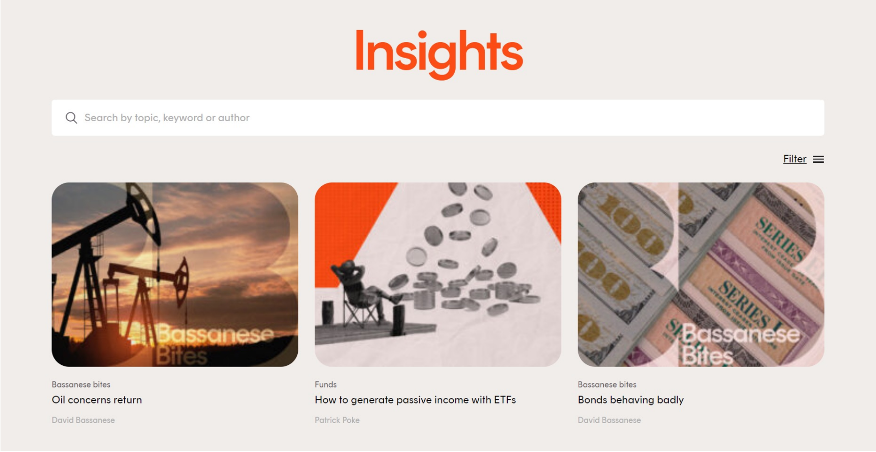
Regular content





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Written by David Bassanese
Ex Treasury, OECD Macquarie Bank and AFR, Betashares Chief Economist and Author or the Australian ETF Guide.

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