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2023 January Market Wrap Thursday 1 February 2024

January was a solid month for markets with continued bets on rate cuts and when.

The Federal Reserve signalled it was thinking about when to lower interest rates but hinted a cut wasn't imminent when it held rates steady at its first policy meeting of the year on Wednesday.

"It's a highly consequential decision to start the process" of lowering interest rates "and we want to get that right," said Fed Chair Jerome Powell at a news conference. "We've made a lot of progress on inflation. We just want to make sure that we do get the job done in a sustainable way."

The Fed doesn't expect to lower rates "until it has gained greater confidence that inflation is moving sustainably toward 2%," the statement said.

Central-bank officials are trying to balance two risks: One is that they move too slowly to ease policy and the economy crumples under the weight of higher interest rates, causing millions of people to lose their jobs. The other is that they ease too much, too soon, allowing inflation to reaccelerate or become entrenched at a level above their 2% goal.

Annual inflation cooled to a two-year low of 4.1 per cent. The consumer price index rose 0.6 per cent in the December quarter, the smallest quarterly rise since March 202. The RBA's preferred measure of underlying inflation (the trimmed mean), which strips out irregular or temporary price changes, rose 4.2 per cent annually, down from 5.1 per cent in the September quarter. Domestic-generated inflation remained firm due to strong price rises for new dwellings (5.1 per cent), rents (7.3 per cent after extra rent assistance), insurance (16.2 per cent) and electricity (6.9 per cent after bill subsidies).

The RBA board, which will meet next Monday and Tuesday, targets an inflation rate of between 2 per cent and 3 per cent.

Evergrande China's long-ailing property giant is finally being read its last rites. It won't be pretty—especially for the foreign creditors that helped finance its rise.

Monday's Hong Kong court-ordered liquidation of China Evergrande, once China's largest developer, probably won't have much of an immediate knock-on effect on China's struggling property market. That is because most assets are onshore in China, insulated from Hong Kong courts. But by the same token, offshore creditors are in an ugly situation—and Evergrande's case could be a precedent for other attempted restructurings.

Evergrande, which first defaulted on its bonds in 2021, was emblematic of the property industry's excessive leverage. As of June, the company still had the equivalent of $335 billion in liabilities, including borrowings, payables owed to suppliers and undelivered apartments to home buyers.

Most of Evergrande's assets are directly under Hengda, its main subsidiary in China. And the different legal systems of Hong Kong and mainland China mean it may be difficult, or at least take a long time, to enforce the court order over assets held onshore.

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If you have any questions do not hesitate to contact me.

Summary of Major share indices

Index	1 Month	52 Weeks	YTD
DJIA	+1.92%	+11.90%	+1.22%
Nasdaq	+3.92%	+28.33%	+1.02%
S&P 500	+2.99%	+17.64%	+1.59%
Russel 2000	-0.61%	-0.69%	-3.93%
Europe 600 Index	+2.38%	+7.19%	+1.39%
UK FTSE 100 Index	-0.67%	-1.68%	-1.33%
Hong Kong Hang Seng	-6.98%	-29.84%	-9.16%
Japan Nikkei 225	+8.43%	+32.69%	+8.43%
China Shanghai Composite	-6.02%	-15.11%	-6.27%
India S&P BSE Sensex	+0.55%	+20.17%	-0.68%
ASX 200 (Australia)	+1.46%	+1.22%	+0.16%

Australian Dollar

	Close	52-week Range
AUD	0.6574%	0.6269-0.7159%

Government Bonds

	Close	52-week Range
US 3 Month Bill	5.354%	4.371-7.959%
US 10 Years Note	3.948%	3.261-5.022%
US 30 Years Bond	4.19%	3.495 – 5.183%
Australia 10 years	4.019%	3.160-5.002%

Source: Wall Street Journal.