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2023 December Market Wrap

Tuesday 2 January 2024

Have a Happy, Successful, Calm, Peaceful and Prosperous New Year..

In December 2023, the financial markets saw a strong end-of-year rally, driven by easing inflation and the potential for lower interest rates. Notable highlights include:

1. **Market Performance:** Australia's S&P/ASX 200 had its best monthly return in three years, rising by 7% in December and finishing the year with a 12% gain. The S&P 500 increased by 24% for the year, almost reaching its January 2022 record. The Dow Jones Industrial Average surpassed 37,000 for the first time, and the Nasdaq Composite had its best year since 2020, soaring by 43%.
2. **Surprising Resilience:** Despite challenges like the Federal Reserve's rapid interest rate hikes and geopolitical events such as a Middle East conflict, stocks continued to climb.
3. **Bond Yields:** Higher bond yields, including a historic bond rout that briefly pushed the 10-year Treasury yield to 5% in October, did cause stock market volatility but did not derail the rally.
4. **Changing Investment Landscape:** The idea that "there is no alternative to stocks" (TINA) began to lose favor as a significant amount of cash flowed into money-market funds, but stocks regained strength as bond yields retreated.
5. **Consumer Resilience:** The American consumer remained resilient in the face of rising interest rates, contributing to strong corporate profits and spending.
6. **Uncertain Outlook:** Some investors are cautious about declaring a successful soft landing for the economy and predict a potential downturn in the coming year. The timeline for the impact of interest rate increases on the economy remains uncertain.
7. **AI Mania:** Artificial intelligence became a major driver of stock market performance, with companies like Nvidia leading the way. Tech giants like Nvidia, Apple, Microsoft, Alphabet, Amazon.com, Tesla, and Meta Platforms played a significant role in the market's gains.

Overall, 2023 proved to be a year of unexpected resilience and market strength, despite various challenges. Investors remain vigilant, monitoring economic indicators and geopolitical developments in 2024.

On the other hand, the economic challenges faced by Australian households under the Albanese government, such as declining living standards, a significant drop in disposable income, and tight rental markets, paint a concerning picture of the nation's economic health.

The impact of high immigration levels on these challenges is also a notable concern.

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

Summary of Major share indices

Index	1 Month	52 Weeks	YTD
DJIA	+3.98%	+13.70%	+13.70%
Nasdaq	+4.94%	+43.42%	+43.42%
S&P 500	+3.81%	+24.23%	+24.23%
Russel 2000	+8.83%	+15.09%	+15.09%
Europe 600 Index	+2.75%	+12.74%	+12.74%
UK FTSE 100 Index	2.71%	+3.78%	+3.78%
Hong Kong Hang Seng	+1.29%	-13.82%	-13.82%

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Japan Nikkei 225	+0.10%	+28.24%	+28.24%
China Shanghai Composite	-1.87%	-3.70%	-3.70%
India S&P BSE Sensex	+4.95%	+18.15%	+18.15%
ASX 200 (Australia)	+7.26%	+7.84%	+12.42%

Australian Dollar

	Close	52-week Range
AUD	0.6819%	0.6269-0.7159%

Government Bonds

	Close	52-week Range
US 3 Month Bill	5.356%	4.365-7.959%
US 10 Years Note	3.881%	3.261-5.022%
US 30 Years Bond	4.036%	3.489 – 5.183%
Australia 10 years	3.974%	3.160-5.002%

Source: Wall Street Journal.