Navigating the clean energy transition: Investment opportunities ahead - June 2024 Quarterly Market Update

By Perpetual Wealth Management

18 July 2024

The June 2024 Perpetual Private Quarterly Market Update reflects on the curiously buoyant market environment and investor sentiment, that have defied the challenges of 'sticky' inflation, rising conflict and high interest rates. In this report we consider the robust returns generated across the quarter and year, before delving into pockets of imbalance that could derail economies and markets into the end of the year. Will these 'pockets' prove to be headwinds or tailwinds?

You can watch the video above, download our full report, or read our concise overview below.

Please note: except where otherwise noted or quoted, the views in this article are those of Perpetual Private's Investment Research Team.

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June Quarter 2024: What happened?

Whilst markets took a slight pause in momentum over the three months ending June, they retained the vast majority of the gains generated over the prior 9 months, with Australian shares[1] gaining 11.9% for the year, and global share markets[2] gaining an impressive 19.0%.

Fixed Income and Real Estate experienced a more challenging quarter and year, as expected interest rate cuts got pushed further into the future, and markets finally aligned with our long-held belief that both interest rates and inflation would be 'higher for longer'.

Although the A.I.-led rally had begun to broaden into other sectors in the March quarter, that did not persist through the three months to June 30th. Indeed, over the year the global Information Technology sector[3] gained a whopping 38.8%, with the company de jour, Nvidia, enjoying a run of 192.1%.

Economically, different countries and regions are having differing levels of success in resolving the inflation conundrum, with the likes of the U.K, E.U. and Canada enjoying the confidence to make small reductions to their cash rates. Meanwhile, here in Australia we wait with baited breath for the June CPI release on 31st July, with any outcome at or above 1%, likely to threaten an interest rate increase at the Reserve Bank's August meeting.

Climate change and the path to net-zero, was again brought to the fore with opposition leader Peter Dutton, proposing the adoption of nuclear power as part of the solution. This has quickly divided Australian society with strong proponents both for and against. It remains to be seen, as to whether this is truly viable and acceptable for our energy transition. We welcome the attention this has returned to the need for clean energy with protecting the environment and reducing pollution, something that is important to all Australians, regardless of their political leanings. From an investment positioning point of view, we see the clean energy focus as a source of potential opportunities, given our participation in infrastructure. Decarbonisation, more broadly, equally has the potential to impact our local industries, with Mining a key beneficiary given the significant requirement for copper supply.

In the report

In our report to close out the financial year, we include a special article examining the U.S. presidential election and what the proposed policies of Biden and Trump might mean for investment markets. We then dive into the differing facets of our financial world and the undercurrents driving the tumultuous political landscape. Whilst it remains clear that the path to an economic soft landing remains, as described by RBA Governor Michelle Bullock, "narrow", we find numerous areas for continued optimism and expect periods of market stress to deliver attractive opportunities for those who are able to see through the noise.

Download the report

[1] as measured by the S&P ASX 300 index

[2] As measured by the MSCI All Country World Index (AUD unhedged)

[3] as measured by the MSCI AC World information Technology index

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