

Market wrap

September 2021



Risk-on environment persist

- **Global shares** rose 2.7% and 3.1% in hedged and unhedged terms, respectively. The market was led higher by US tech stocks as investors anticipated a slower economic growth environment in which more cyclical names will struggle.
- **Australian shares** underperformed global shares, rising 2.5% in August. The leading sectors were technology (up 16.8%) buoyed by a takeover bid for Afterpay from US payments giant Square and healthcare (up 6.8%). Materials was the worst performer (down 7.9%) driven by lower iron ore prices and forced selling of BHP following news that it is ending its UK dual listing.
- The **Australian dollar (AUD)** fell 0.6% against major currencies and 0.4% against the US dollar. Lockdowns in both NSW and Victoria dragged on the economy souring investor support.
- **Fixed income** returns were mixed. The decline in bond yields supported Australian bond returns. Arguably we saw some resolution of the bond vs equity world views with global yields rising and equities continuing to perform well. Weighing against this however is the relative weakness of cyclical stocks.

As Australians vaccinate en masse

Globally

- Global business surveys suggest economic growth momentum has peaked with a slowdown exacerbated by the Delta strain and related supply chain disruption notably in the Asia-Pacific region.
- The US followed Israel in approving booster doses bolstering confidence that future mutant strains will be contained.

Locally

- Economic growth for the June quarter surprised on the upside with strong household and government spending offsetting export weakness (production issues and high commodity prices).
- High commodity prices can cause exports to be a net drag if lower volumes are exported relative to previous periods. This is because we focus on real GDP, an underlying measure of economic growth.
- The Sydney lockdown was extended until the end of September. Peak daily cases may be reached in September according to government modelling.
- Pleasingly vaccine progress is tracking strongly, boosting confidence that re-opening will occur in the December quarter this year. This can be seen in both consumer and business surveys which are considerably more positive than they were during the pandemic's first wave last year
- The RBA left its cash rate unchanged and deferred a reduction in its bond purchases until early next year.

Major asset class performance

Asset classes	1 month %	1 year %	5 years (p.a.) %
Australian shares	2.5	28.1	10.9
Australian small companies	5.0	29.5	11.0
Global shares (hedged)	2.7	29.4	14.4
Global shares (unhedged)	3.1	31.4	15.6
Global small companies (unhedged)	2.9	43.1	14.2
Global emerging markets (unhedged)	3.2	22.6	11.0
Global listed property (hedged)	1.5	32.9	5.2
Cash	0.0	0.0	1.2
Australian fixed income	0.1	1.1	3.3
International fixed income	-0.2	0.6	2.9

Source: Bloomberg & IOOF, 31 August 2021

Indices used: Australian Shares: S&P/ASX 200 Accumulation Index, Australian small companies: S&P/ASX Small Ordinaries Accumulation Index, Global shares (hedged): MSCI World ex Australia Net Total Return (in AUD), Global shares (unhedged): MSCI World ex Australia Hedged AUD Net Total Return Index; Global small companies (unhedged): MSCI World Small Cap Net Total Return USD Index (in AUD); Global emerging markets (unhedged): MSCI Emerging Markets EM Net Total Return AUD Index; Global listed property (hedged): FTSE EPRA/NAREIT Developed Index Hedged in AUD Net Total Return; Cash: Bloomberg AusBond Bank Bill Index; Australian fixed income: Bloomberg AusBond Composite 0+ Yr Index; International fixed income: Bloomberg Barclays Global Aggregate Total Return Index Value Hedged AUD

Please note: Past performance is not indicative of future performance

Currency markets

Exchange rates	At close on 31/8 %	1 month change %	1 year change %
USD/AUD	0.73	-0.4	-0.8
Euro/AUD	0.62	0.1	0.3
Yen/AUD	80.5	-0.1	3.0
Trade weighted index	61.2	-0.6	-2.2

Source: Bloomberg & IOOF, 31 August 2021

All foreign exchange rates are rounded to two decimal places where appropriate.

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