

Monthly Market Snapshot

February 2021

The Monthly Market Snapshot publication provides commentary on the global economy and the performance of financial markets



Market Commentary

A sharp increase in government bond yields, particularly in the US and Australia, over the month was a concern for markets. However, successful vaccination rollouts across the globe, particularly in developed markets like the US and UK, and fewer COVID-19 infection rates facilitated an improvement in investor sentiment.

As a result, equity markets finished slightly positive by end of February. Emerging markets produced a small negative return driven by weaker returns in China, while developed markets were a small positive for the month and Australian equities provided a small positive return.

China's economic recovery slowed slightly in February due to an increase in COVID-19 cases, resulting in movement restrictions that coincided with Lunar New Year. While Chinese authorities continue to provide stimulus to the economy, support has dampened.

Economic figures out of the US have been positive with retail sales, manufacturing and services data improving on last month. US President Joe Bidens' \$1.9 trillion stimulus package was submitted for deliberation by congress. Commentators expect the package to be passed. The successful implementation would see the total US fiscal support for COVID-19 being close to 25% of GDP.

Economic output and sentiment across Europe showed small improvements in February. While delays in the vaccine rollout and ongoing lockdown measures negatively impacted returns, the approval of a 'Recovery and Resiliency' plan from the European Commission (EC) improved consumer confidence.

Vaccine rollout in the UK over the month reached 20 million people. While stricter lockdown measures resulted in poor retail sales data, vaccine success and reopening announcements improved sentiment with manufacturing and services data gaining over the month.

Domestically, the Reserve Bank of Australia (RBA) reaffirmed the cash rate would remain unchanged until at least 2024. They have purchased \$74 billion of government bonds under the initial \$100 billion program and will buy another \$100 billion to keep the 3-year yield at the target of 0.1%. In response to concerns about the house price surge, the RBA indicated that lending standards remain solid, but they are monitoring carefully.

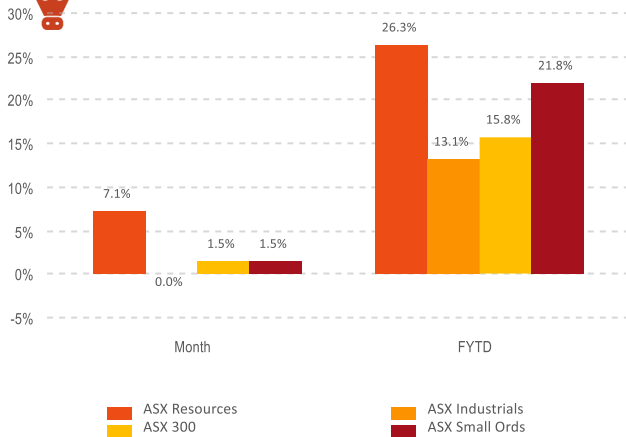
The AUD gained against all major currencies most notably against the USD and JPY. Oil prices have regained in value for the month. The iron ore price continued to climb.

Government bond yields rose over the month on expectations of continued economic rebound as vaccine programs are rolled out. Bond indices produced negative returns over the month.

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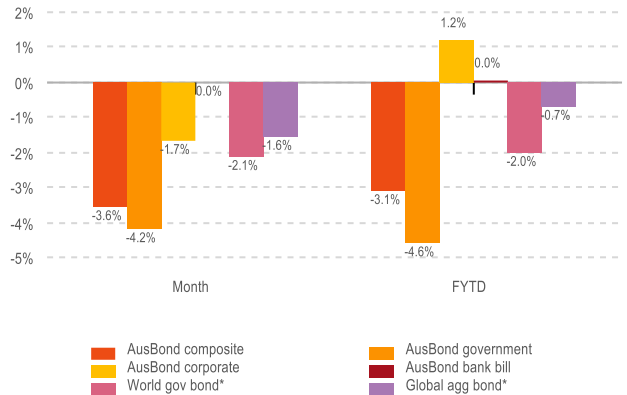
Australian Equities



Source: Refinitiv Datastream



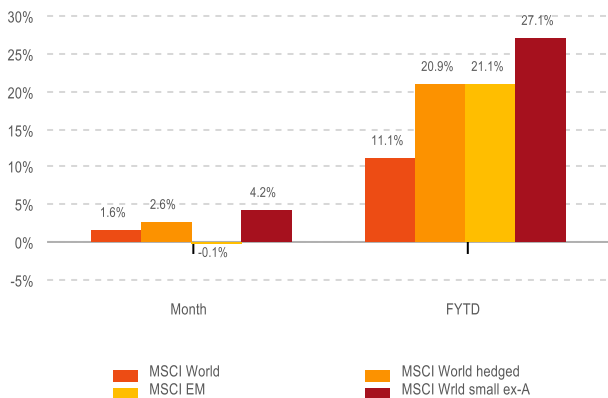
Fixed Income



Source: Refinitiv Datastream



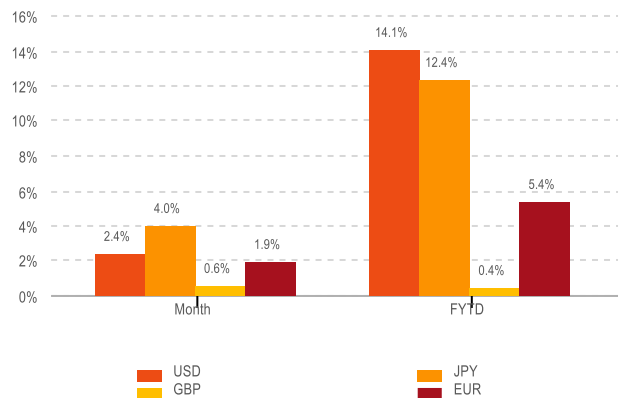
International Equities (\$A)



Source: Refinitiv Datastream



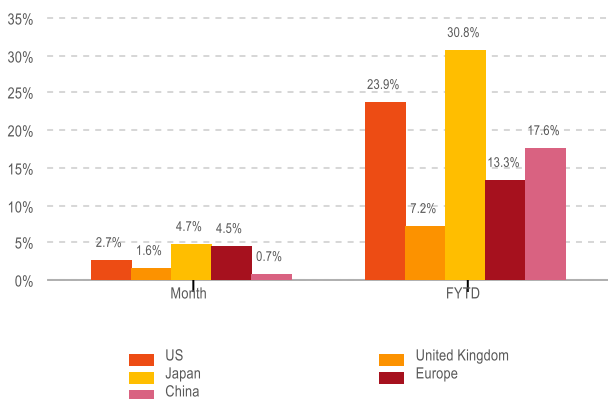
Australian Dollar



Source: Refinitiv Datastream



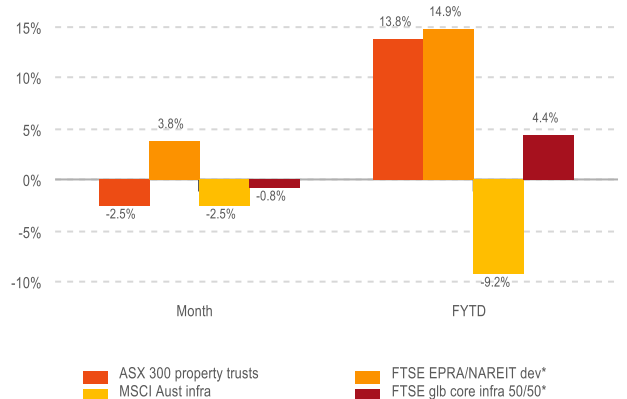
International Equities



Source: Refinitiv Datastream











Real Assets



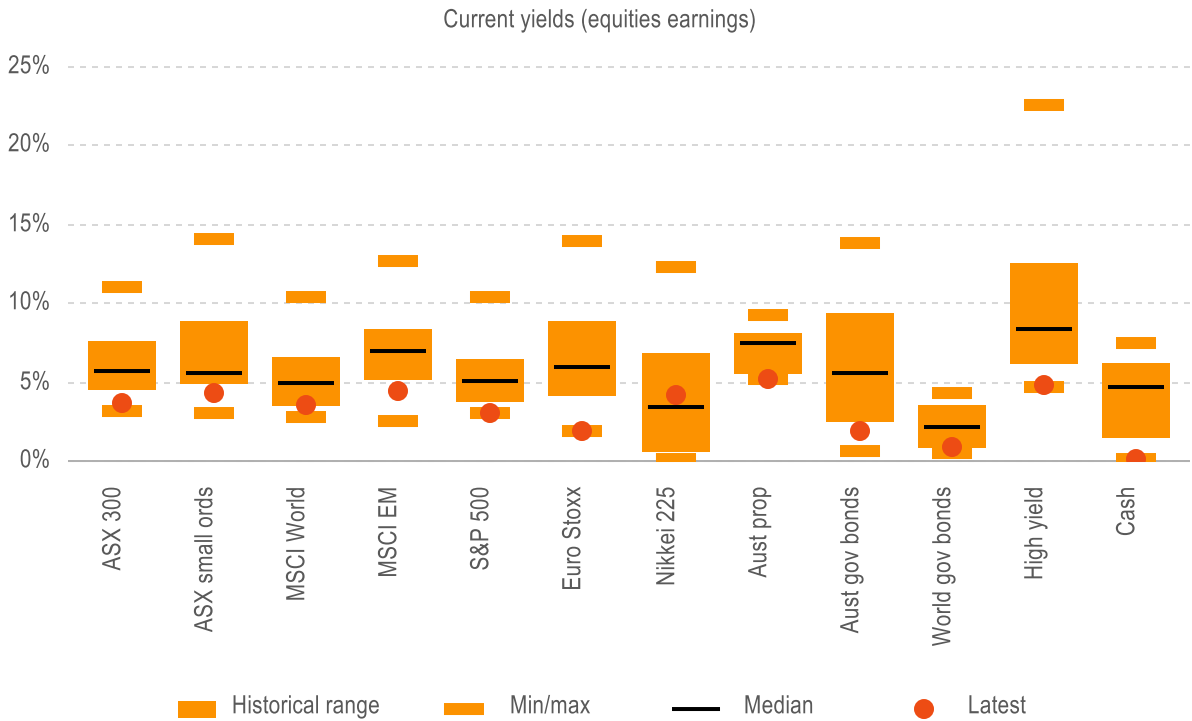
Source: Refinitiv Datastream *Hedged A\$

Details of the indices are in the table on the next page

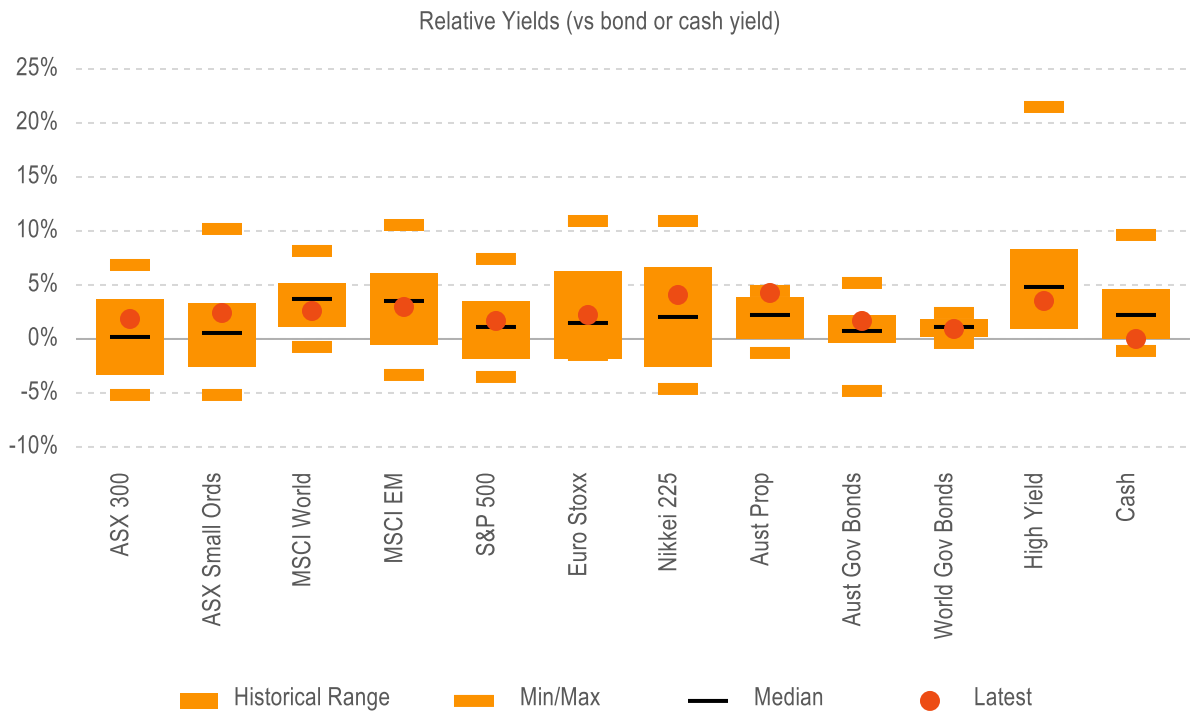
	Index value	Month	3 months	FYTD	1 year	5yr p.a.
Australian Equities						
 S&P/ASX 300 Accum. Index	74,222	1.5%	3.2%	15.8%	7.1%	10.8%
S&P/ASX 300 Accum. Industrials Index	141,913	0.0%	0.1%	13.1%	1.3%	8.5%
S&P/ASX 300 Accum. Resources Index	36,750	7.1%	15.5%	26.3%	33.2%	22.5%
ASX Small Caps Accum. Index	9,536	1.5%	4.1%	21.8%	17.2%	11.7%
International Equities						
 MSCI World ex-Aus Index (\$A)*	11,860	1.6%	0.7%	11.0%	7.8%	12.3%
MSCI World ex-Aus Index (Hedged \$A)*	2,162	2.7%	5.3%	21.1%	23.5%	13.4%
MSCI Emerging Markets Index (\$A)*	837	-0.1%	6.1%	21.1%	13.3%	13.4%
MSCI World ex-Aus Small Cap Index (\$A)	709	4.1%	9.5%	26.2%	15.6%	11.5%
US (S&P 500 Index in USD)	3,811	2.6%	5.2%	22.9%	29.0%	14.6%
United Kingdom (FTSE 100 Index in GBP)	6,483	1.2%	3.5%	5.1%	-1.5%	1.2%
Japan (Nikkei 225 Index in JPY)	28,966	4.7%	9.6%	30.0%	37.0%	12.6%
Europe (Stoxx 50 Index in EUR)	3,636	4.5%	4.1%	12.4%	9.2%	4.3%
China (Shanghai Composite Index in CNY)	3,509	0.7%	3.5%	17.6%	21.8%	5.5%
AUD versus ...						
 USD	0.77	0.8%	4.9%	11.6%	18.5%	1.5%
JPY	83.10	4.0%	8.2%	12.4%	16.9%	0.6%
GBP	0.56	0.6%	1.2%	0.4%	10.8%	1.7%
EUR	0.64	1.9%	4.3%	5.4%	8.5%	-0.3%
Property						
 ASX 300 Listed Property Trusts Accum. Index	52,110	-2.5%	-5.9%	13.8%	-11.3%	5.2%
FTSE EPRA / NAREIT Dev. Index (Hedged \$A)*	2,643	3.8%	5.8%	14.9%	-4.4%	4.4%
Oil and Commodities						
 Crude Oil (\$/bbl)	62	17.8%	35.6%	56.6%	37.4%	12.8%
Copper Spot (\$/tonne)	9,139	16.2%	20.7%	52.2%	62.7%	14.2%
Gold Spot (\$/ounce)	1,729	-6.6%	-3.1%	-5.6%	8.8%	
Australian Fixed Interest						
 Bloomberg AusBond Composite Index	10,273	-3.6%	-4.2%	-3.1%	-2.8%	3.2%
Bloomberg AusBond Government Index	10,618	-4.2%	-5.2%	-4.6%	-4.6%	3.0%
Bloomberg AusBond Corporate Index	10,924	-1.7%	-1.6%	1.2%	1.3%	4.4%
Bloomberg AusBond Bank Bill Index	9,020	0.0%	0.0%	0.0%	0.2%	1.4%
Global Fixed Interest						
 FTSE WGBI ex-Aus (Hedged \$A)	2,565	-2.2%	-2.8%	-2.1%	-1.1%	3.2%
Barclay's Global Agg. Bond Index (Hedged \$A)		-1.6%	-1.9%	-0.7%	-0.2%	3.5%
Fixed Income (yields) as at ...						
 Australia Bank Bill	0.02	0.02	0.02	0.10	0.80	2.28
Australia 10-Year Government Bond	1.92	1.13	0.90	0.87	0.82	2.40
US 10-Year Government Bond	1.40	1.07	0.84	0.66	1.15	1.73
UK 10-Year Government Bond	0.82	0.33	0.31	0.17	0.44	1.34
Germany 10-Year Government Bond	-0.26	-0.52	-0.57	-0.45	-0.61	0.11
Japan 10-Year Government Bond	0.16	0.05	0.03	0.03	-0.15	-0.06

*Price Index

Asset class yields relative to history

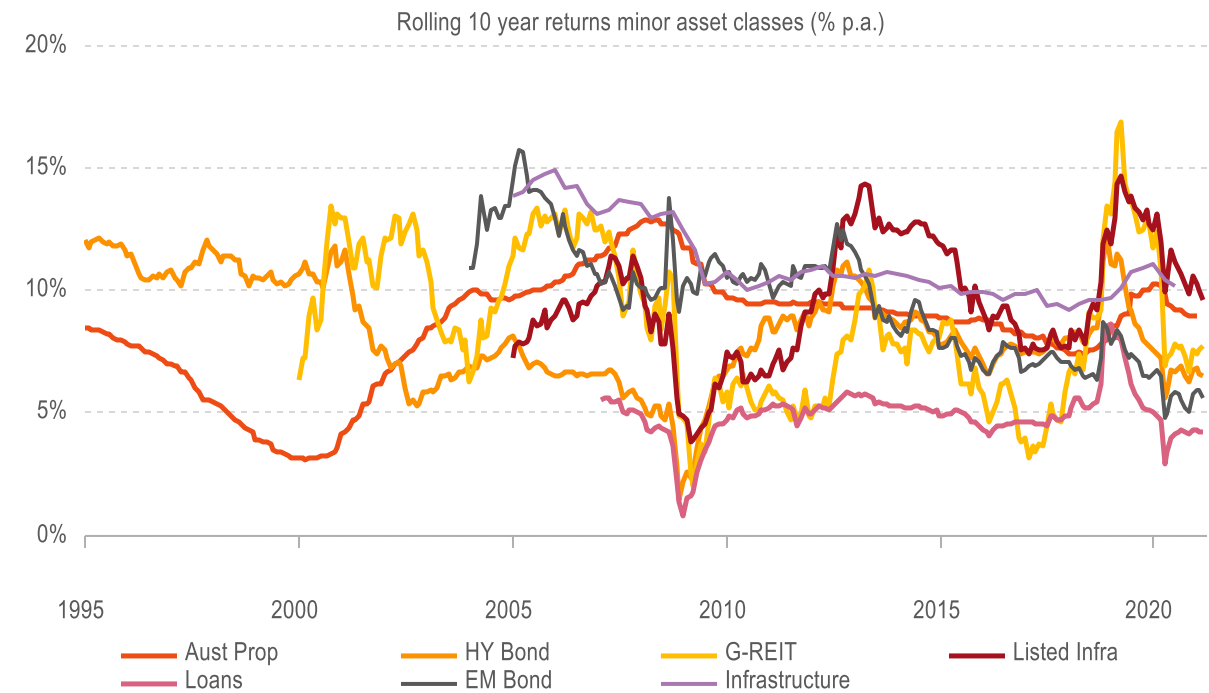
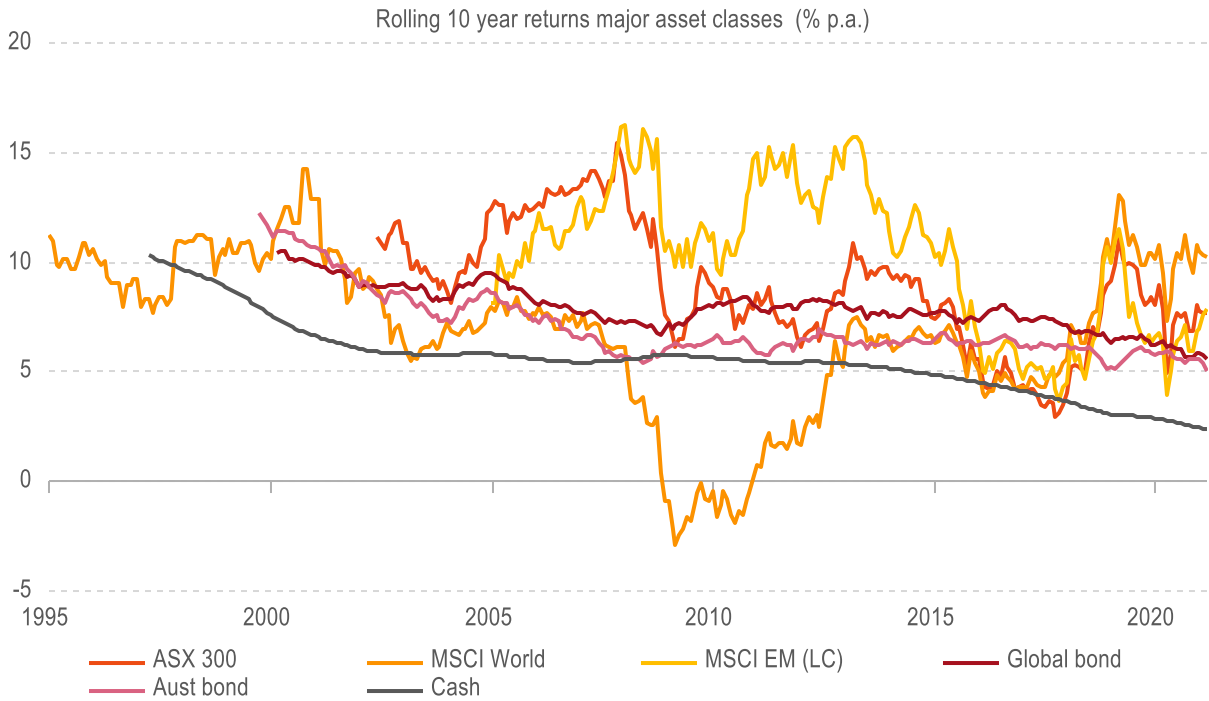


Source: Refinitiv Datastream



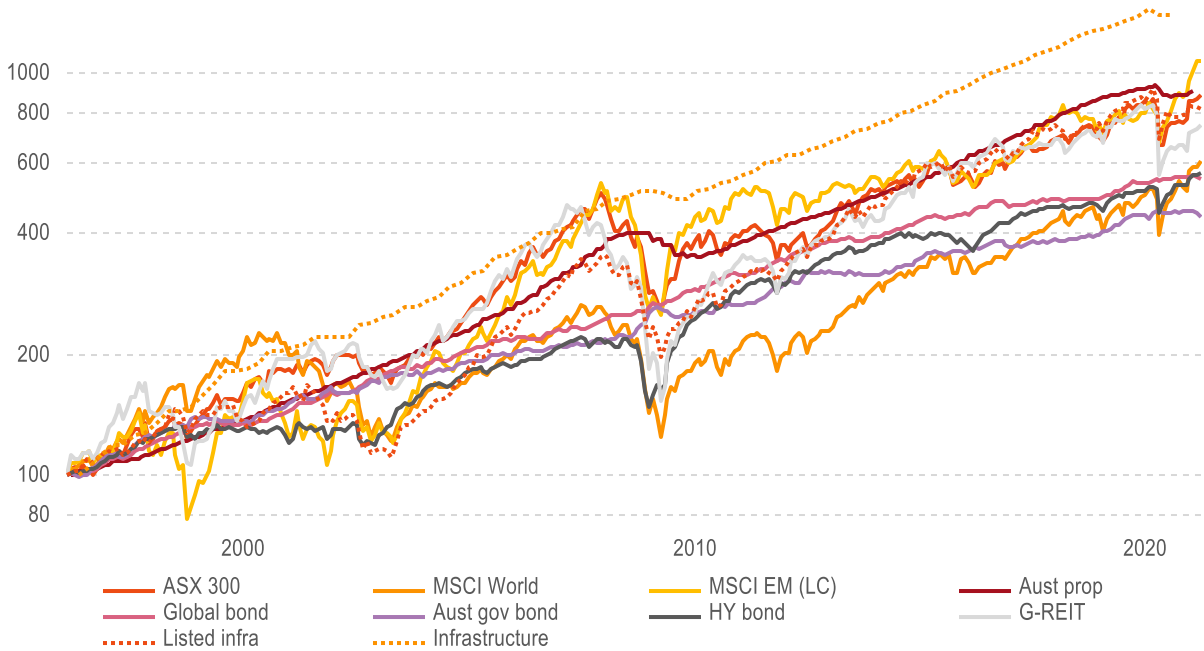
Source: Refinitiv Datastream

Asset class long-term returns



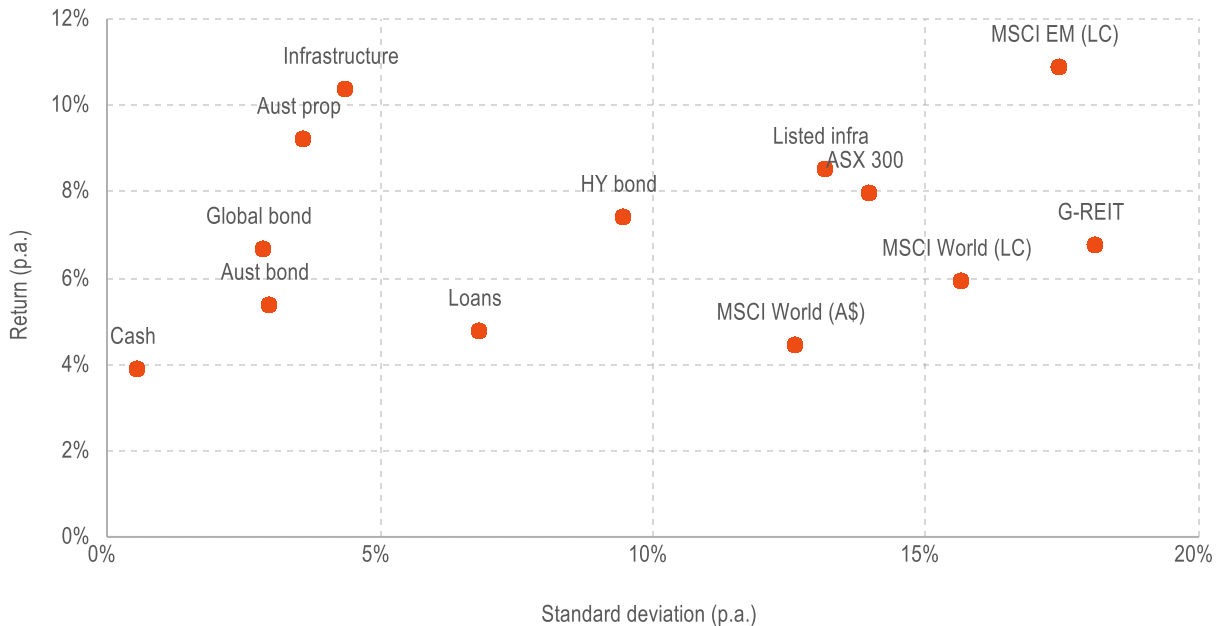
Asset class long-term returns

Cumulative values since 1 Jan 96 (\$100 reinvested)



Source: Refinitiv Datastream

Return-risk profile over 20 years (p.a.) to Feb 2021



Source: Refinitiv Datastream



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