

# Monthly Market Snapshot

June 2021

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



# Market Commentary

In the financial year that has passed, we witnessed the rollout and distribution of vaccines across major economies. Around a quarter of the world's population has received at least the first dose of the vaccine, however, emerging economies continue to lag behind in securing supply and rolling out vaccinations. As major lockdowns conclude, much of the global economy has rebounded from recessions with China taking the lead. Key economies such as Europe and UK have seen a second economic contraction due to secondary COVID-19 waves. Globally, the manufacturing and goods sector have recovered strongly, albeit some disruptions from lockdowns remain and supply chain bottlenecks. On the other hand, the services sector's recovery continue to lag due to social distancing requirements and closed borders.

Apart from COVID-19, there were also other developments with the US Presidential election dominating headlines and Brexit finally implemented after long negotiations at the end of 2020. The US also kicked off 2021 with the Capitol Hill riots protesting the results of the election.

On the government policy front, support has been very large. However, alongside evidence that the recovery is taking hold, there are now signs that the baton is being passed from policymakers to households and businesses. In monetary policy, while central banks remain committed to low rates for an extended period, there has been a noticeable slowdown in the pace of non-standard policy measures, like quantitative easing, towards the end of the financial year.

Due to its potential impact on monetary policy, inflation has become a key concern for markets as economies re-open. At this stage, the spike in inflation across key countries appears to be driven by base-effects, such as the rise in commodity prices and supply chain constraints.

In the financial markets, global equities achieved new highs over the financial year.

However, the performance of Australian equities was not as strong as developed and emerging market equities despite the relatively better economic and COVID-19 outcomes locally.

US and Australian government bond yields have increased and ended the financial year at around pre-pandemic levels driven by news of the rollout of vaccines and improving economic growth outlook. This has led to slight negative returns from Australian and global bonds over the year. Credit spreads have contracted materially over the last 12 months leading to positive returns from corporate bonds.

The sharp recovery in global demand, particularly Chinese demand, has driven commodity prices higher over the last 12 months. The standout was the iron ore price which started the financial year a little over \$100 USD/tonne but ended above \$200. As a result of the higher iron ore price and improved market sentiment, the Australian dollar appreciated over the financial year.

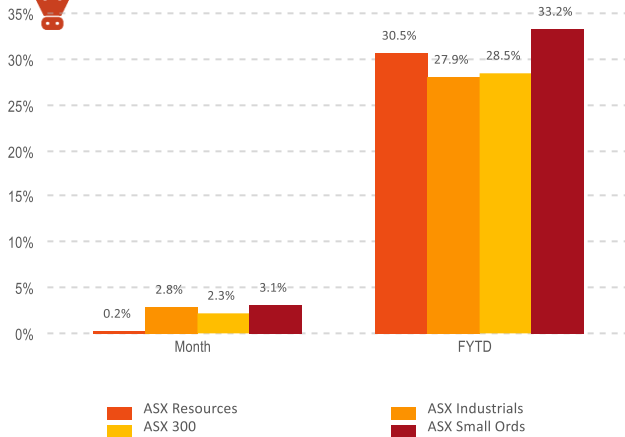
At its June meeting, the Reserve Bank of Australia maintained its 0.1% cash rate target, 3-year bond yield target and government bond purchasing program. Despite the better-than-expected recovery in the domestic economy and jobs market, inflation and wage growth remain subdued.

Over the last month of the financial year equity markets delivered strong positive returns while global bonds delivered a small positive return due to some retracement back down in bond yields. The Australian dollar also saw some slight depreciation, perhaps driven by the apparent peaking in iron ore prices or the expectation that US interest rates will have to increase earlier than expected due to its strong fiscal stimulus support. Global and Australian listed property and infrastructure mostly performed positively in June.

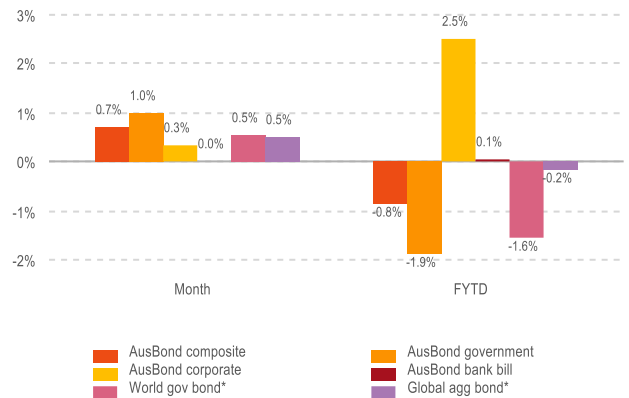
# June 2021



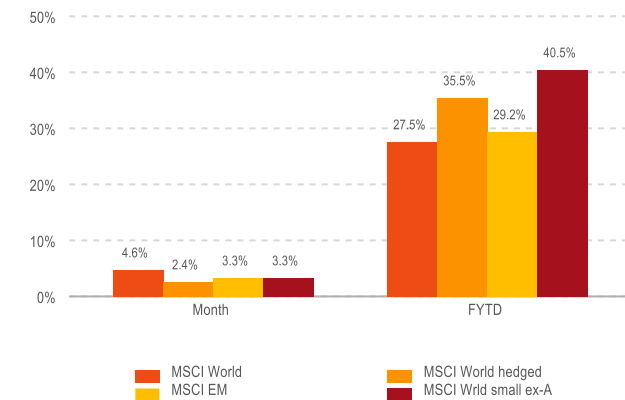
## Australian Equities



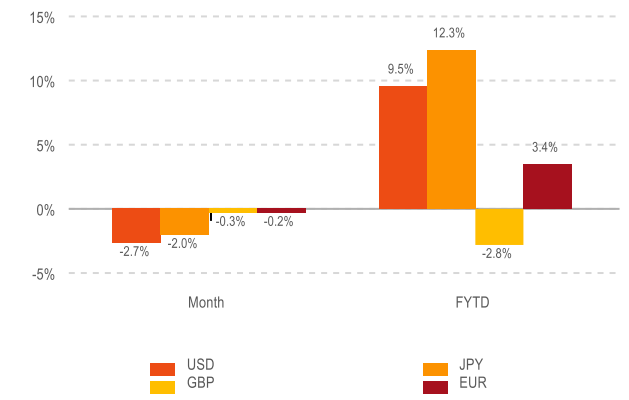
## Fixed Income



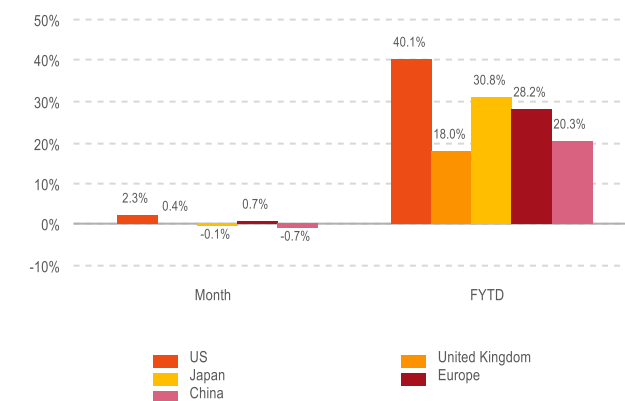
## International Equities (\$A)



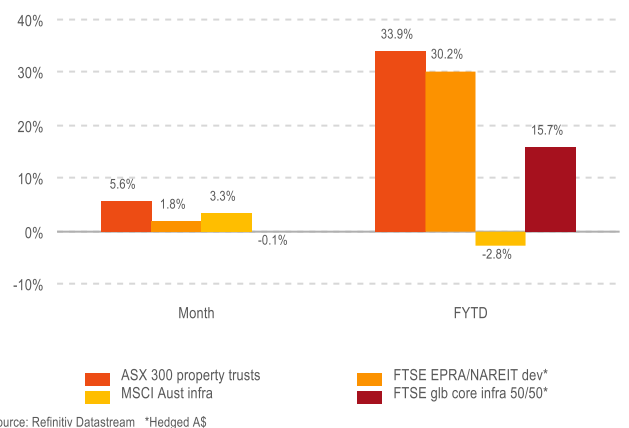
## Australian Dollar



## International Equities



## Real Assets



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

# Jun 2021

Index Value    Month    3 Months    FYTD    1 Year    5 Yr p.a.



## Australian Equities

S&P/ASX 300 Accum. Index	7,307	2.3%	8.5%	28.5%	28.5%	11.3%
S&P/ASX 300 Accum. Industrials Index	11,213	2.8%	8.7%	27.9%	27.9%	9.7%
S&P/ASX 300 Accum. Resources Index	5,504	0.2%	7.8%	30.5%	30.5%	19.0%
ASX Small Caps Accum. Index	3,384	3.1%	8.5%	33.2%	33.2%	11.2%



## International Equities

MSCI World Index (\$A)	4,501	4.6%	9.3%	27.5%	27.5%	14.7%
MSCI World Index (Hedged \$A)	3,974	2.4%	7.6%	35.6%	35.6%	14.4%
MSCI Emerging Markets Index (\$A)	1,322	3.3%	6.6%	29.2%	29.2%	12.9%
MSCI World ex-Aus Small Cap Index (\$A)	619	3.3%	6.4%	40.5%	40.5%	14.2%
US (S&P 500 Index in USD)*	4,298	2.2%	8.2%	38.6%	38.6%	15.4%
US Tech (NASDAQ Index in USD)*	14,504	5.5%	9.5%	44.2%	44.2%	24.6%
United Kingdom (FTSE 100 Index in GBP)*	7,037	0.2%	4.8%	14.1%	14.1%	1.6%
Japan (Nikkei 225 Index in JPY)*	28,792	-0.2%	-1.3%	29.2%	29.2%	13.1%
Europe (Stoxx 50 Index in EUR)*	4,064	0.6%	3.7%	25.7%	25.7%	7.3%
China (Shanghai Composite Index in CNY)*	3,591	-0.7%	4.3%	20.3%	20.3%	4.2%



## AUD versus ...

USD	0.75	-2.7%	-1.1%	9.5%	9.5%	0.2%
JPY	83.07	-2.0%	-1.4%	12.3%	12.3%	1.7%
GBP	0.54	-0.3%	-2.0%	-2.8%	-2.8%	-0.4%
EUR	0.63	-0.2%	-2.7%	3.4%	3.4%	-1.2%



## Real Assets

ASX 300 Listed Property Trusts Accum. Index	1,554	5.6%	10.7%	33.9%	33.9%	6.3%
FTSE EPRA / NAREIT Dev. Index (Hedged \$A)	1,801	1.8%	9.0%	30.2%	30.2%	4.7%
MSCI Australia Infrastructure	1,150	3.3%	1.8%	-2.8%	-2.8%	1.4%
FTSE Global Core Infra 50/50 Index (Hedged \$A)	2,378	-0.1%	2.7%	15.7%	15.7%	7.8%



## Oil and Commodities

Crude Oil (US\$/bbl)	73.6	11.0%	24.4%	87.5%	87.5%	8.8%
Copper Spot (US\$/tonne)	9,352	-8.8%	6.4%	55.7%	55.7%	14.1%
Gold Spot (US\$/ounce)	1,765	-7.4%	3.6%	-1.0%	-1.0%	6.0%



## Australian Fixed Interest

Bloomberg AusBond Composite Index	10,513	0.7%	1.5%	-0.8%	-0.8%	3.2%
Bloomberg AusBond Government Index	10,923	1.0%	1.9%	-1.9%	-1.9%	3.0%
Bloomberg AusBond Corporate Index	11,064	0.3%	1.1%	2.5%	2.5%	4.2%
Bloomberg AusBond Bank Bill Index	9,021	0.0%	0.0%	0.1%	0.1%	1.3%



## Global Fixed Interest

FTSE WGBI ex-Aus (Hedged \$A)	2,586	0.5%	0.7%	-1.6%	-1.6%	2.5%
Barclay's Global Agg. Bond Index (Hedged \$A)	1,094	0.5%	0.9%	-0.2%	-0.2%	2.9%



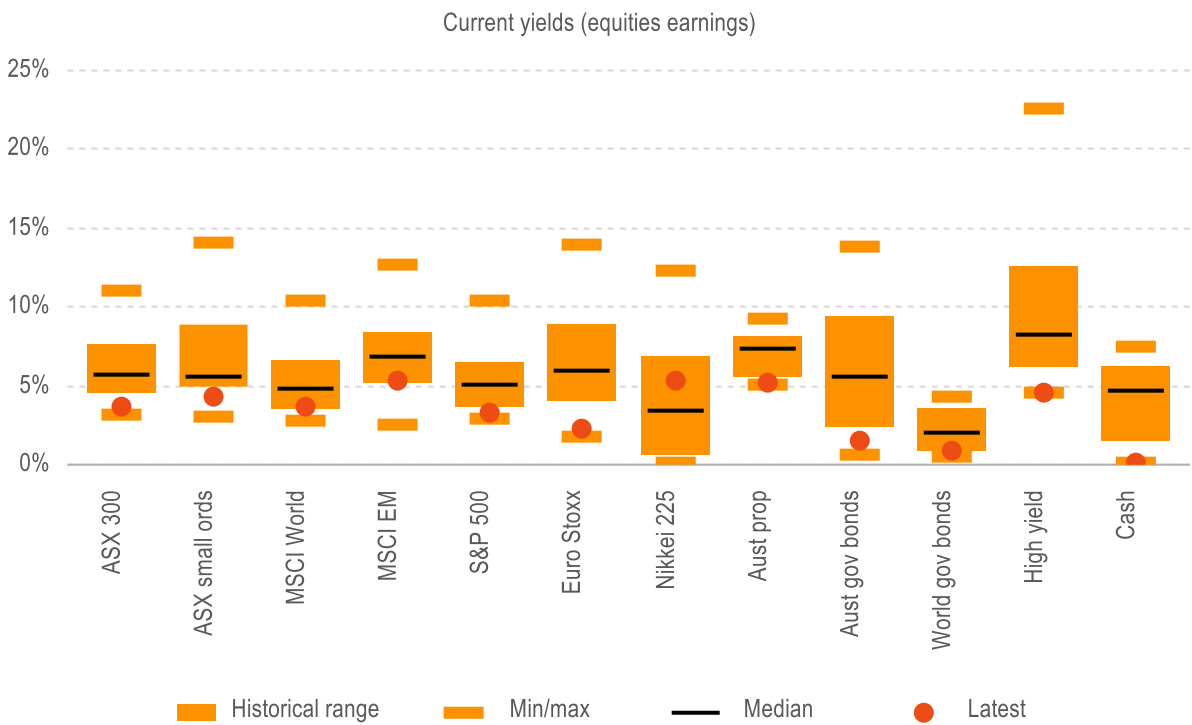
## Fixed Income (yields) as at ...

	Jun 2021	May 2021	Mar 2021	Jun 2020	Jun 2020	Jun 2016
Australia Bank Bill	0.01	0.01	0.01	0.09	0.09	1.84
Australia 10-Year Government Bond	1.51	1.66	1.81	0.88	0.88	2.01
US 10-Year Government Bond	1.44	1.59	1.75	0.65	0.65	1.49
UK 10-Year Government Bond	0.72	0.80	0.85	0.17	0.17	0.87
Germany 10-Year Government Bond	-0.20	-0.18	-0.30	-0.46	-0.46	-0.13
Japan 10-Year Government Bond	0.05	0.08	0.10	0.03	0.03	-0.22

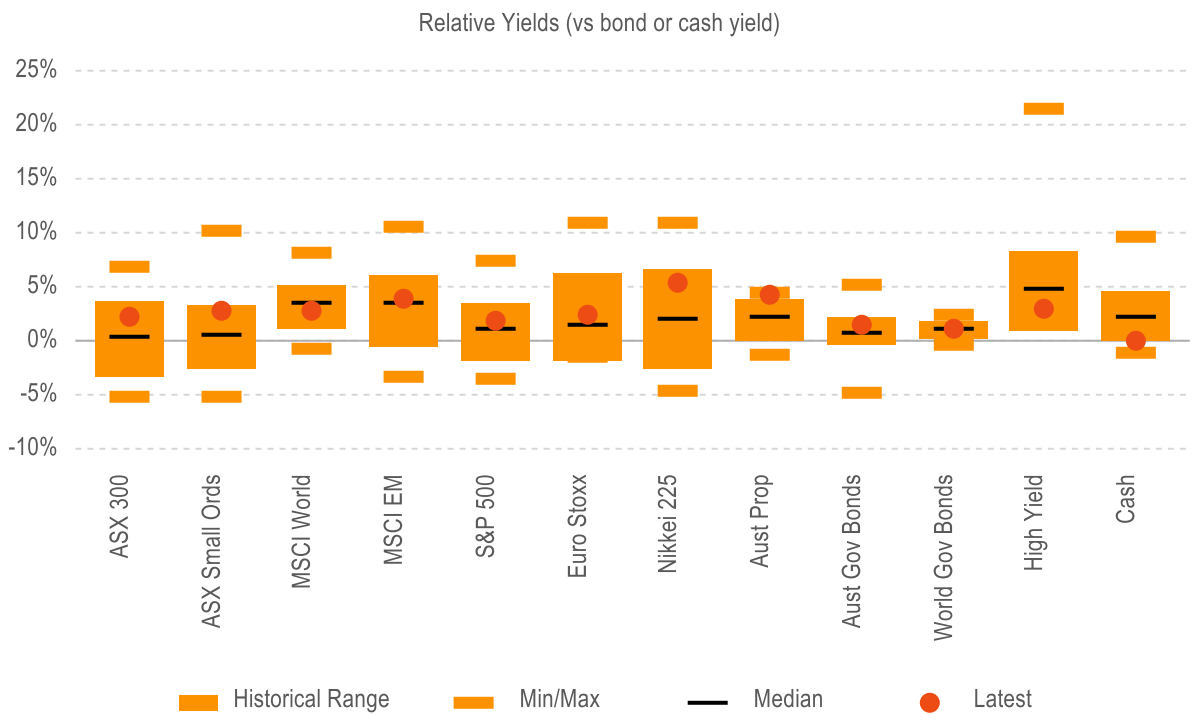
Source: Refinitiv Datastream

\*Price Index

# Asset class yields relative to history

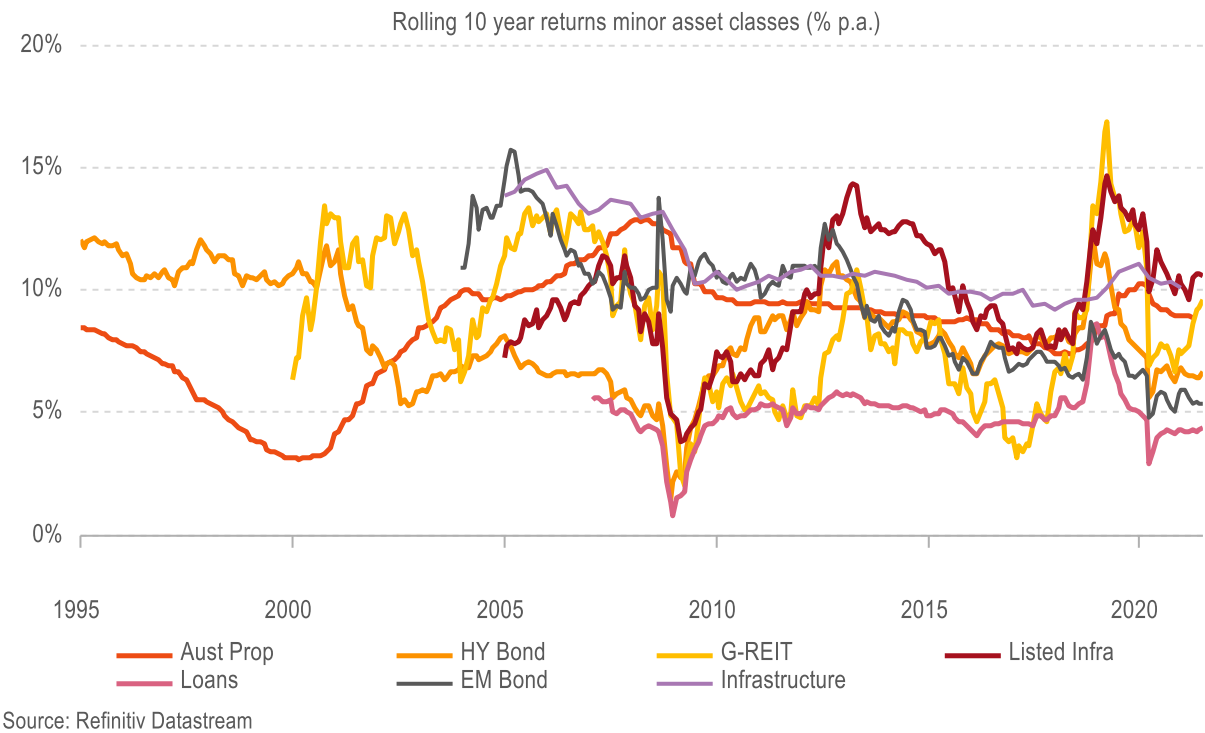
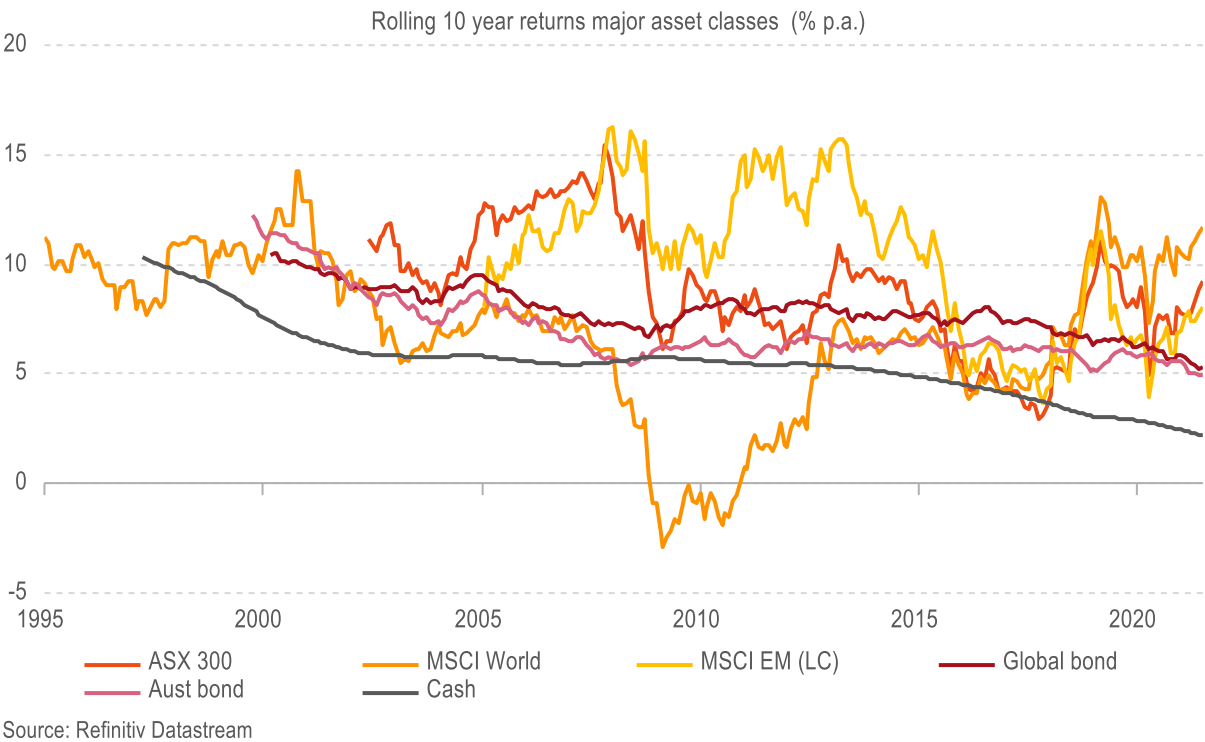


Source: Refinitiv Datastream



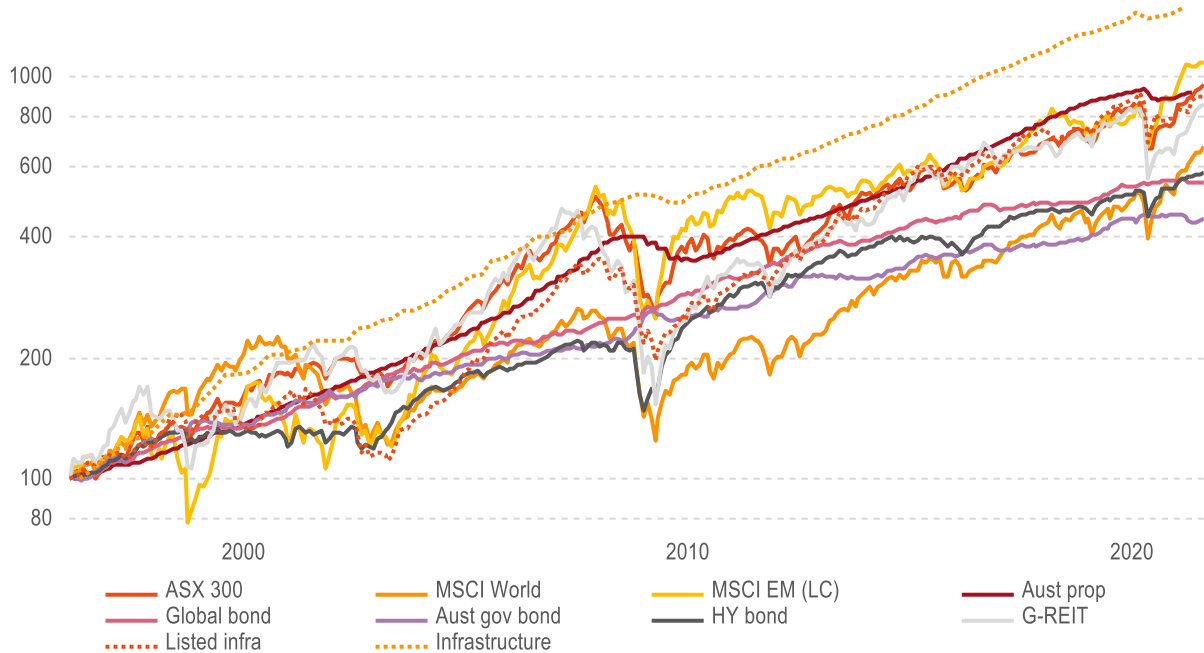
Source: Refinitiv Datastream

# Asset class long-term returns



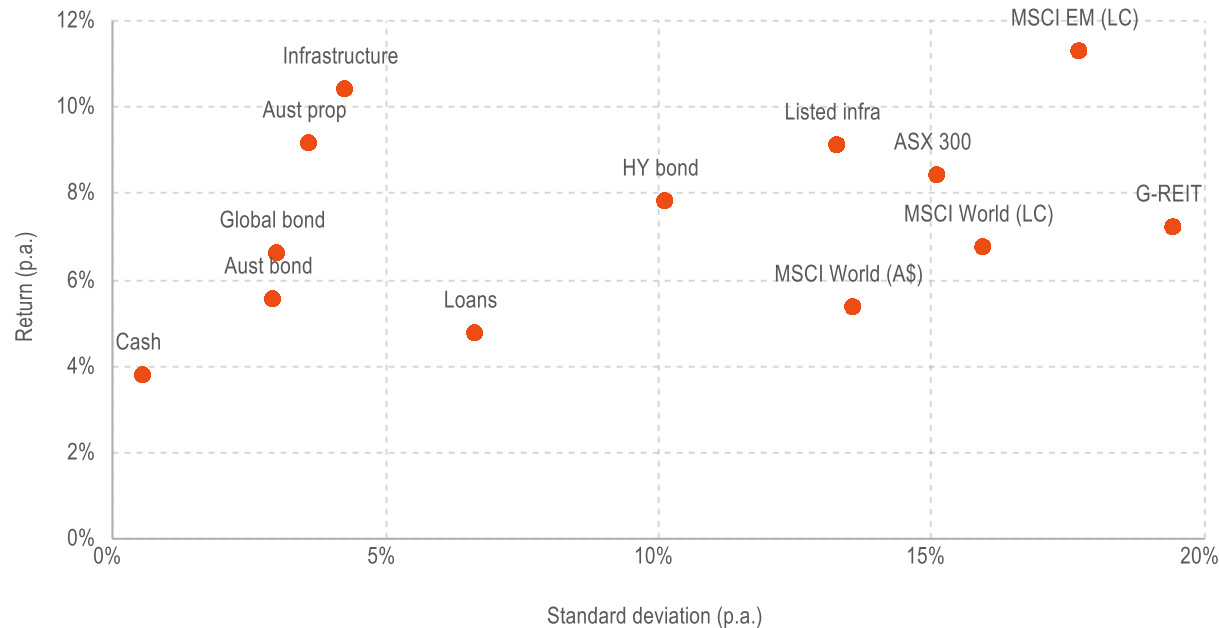
# Asset class long-term returns

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



Source: Refinitiv Datastream

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



Source: Refinitiv Datastream





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