

Monthly Market Snapshot

August 2023

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

Market commentary

In August 2023, global financial markets were volatile amid a complex and challenging environment. Concerns about inflation, central bank policies, and economic weakness in China combined to create uncertainty. Global shares fell in August.

Economic data in the US remained solid, as job gains remained strong and retail sales exceeded expectations. However, despite the robust economic data, US equities fell, as investor sentiment turned negative.

European equities also dropped in August. The Eurozone produced disappointing economic data, with the composite purchasing managers' index (PMI) falling to a level that indicates risk of economic contraction, while inflation remained high.

In Japan, the economy expanded significantly in the second quarter of 2023, driven by net trade. Core inflation has risen, and wages increased, providing optimism of Japan overcoming years of subdued inflation. The Japanese stock market produced a more modest negative return in the month.

Australian stocks faced pressures due to economic concerns and negative investor sentiment, but the negative return for the month was also more modest than global markets in aggregate.

Chinese equity markets fell materially. China faces significant economic challenges, with negative inflation, weak retail sales, and declining investment. Real estate concerns were highlighted by the difficulties of major property developers. The People's Bank of China (PBoC) lowered interest rates and took measures to support financial markets, but credit demand remained weak.

Emerging market equities overall again underperformed developed markets.

The US Federal Reserve kept rates unchanged, but with a bias toward tightening if necessary. Market expectations are pricing the expectation of one final rate hike in 2023, followed by rate cuts in 2024. In contrast, the Bank of England raised its policy rate by 25 basis points to 5.25% and noted its intention to maintain restrictive levels for some

time. The European Central Bank (ECB) faces pressure to increase rates, despite the challenging economic environment, because inflation remains elevated. The Bank of Japan adjusted its yield curve control policy to allow 10-year yields to rise further.

Global bonds produced negative returns in August as sovereign yields rose. Yields on the 10-year US Treasury increased, although Fitch's downgrade of the US government's credit rating from AAA to AA+ appeared to have had little immediate impact on Treasury yields but did contribute to market uncertainty. Australian bond returns were positive as Australian bond yields were flat over the month.

The US dollar strengthened against major currencies due to the deteriorating risk sentiment amid the global economic challenges, although the Yen weakened. The Renminbi also depreciated against the US dollar given economic concerns in China.

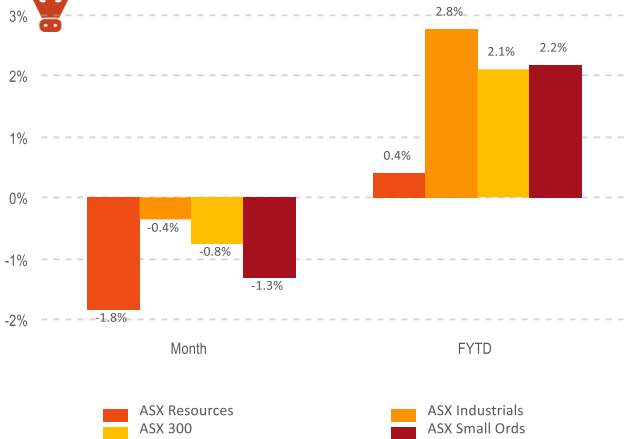
Oil prices remained relatively flat as growth risks in China countered production cuts. European natural gas prices increased significantly due to potential disruptions in supply.

Listed property and infrastructure produced negative returns along with broader equity markets. Australian listed property was the exception, with a positive return in August, as bond yields were stable over the month in Australia.

August 2023



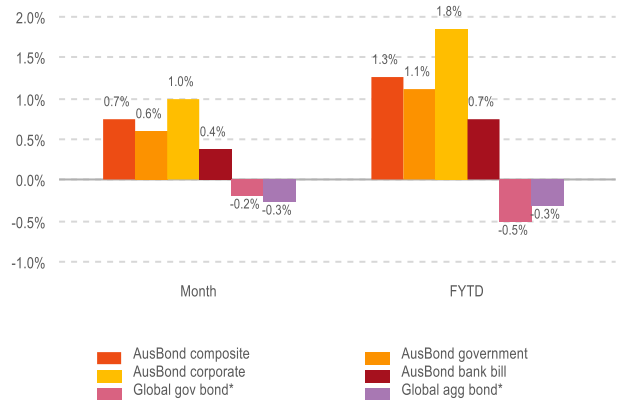
Australian equities



Source: LSEG Datastream



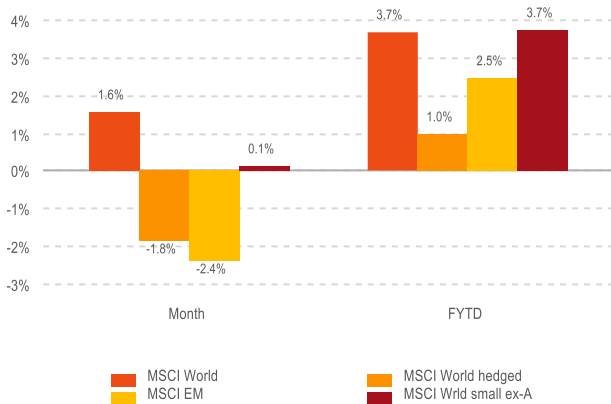
Fixed income



Source: LSEG Datastream



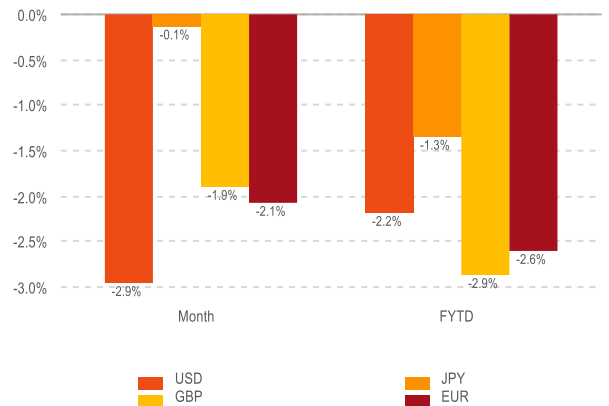
International equities (\$)



Source: LSEG Datastream



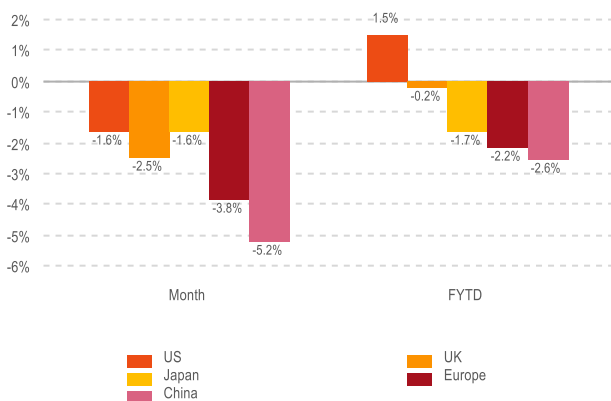
Australian dollar



Source: LSEG Datastream



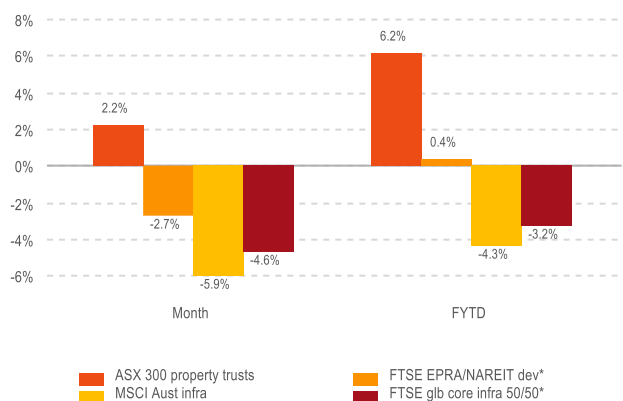
International equities



Source: LSEG Datastream











Real assets



Source: LSEG Datastream *Hedged A\$

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

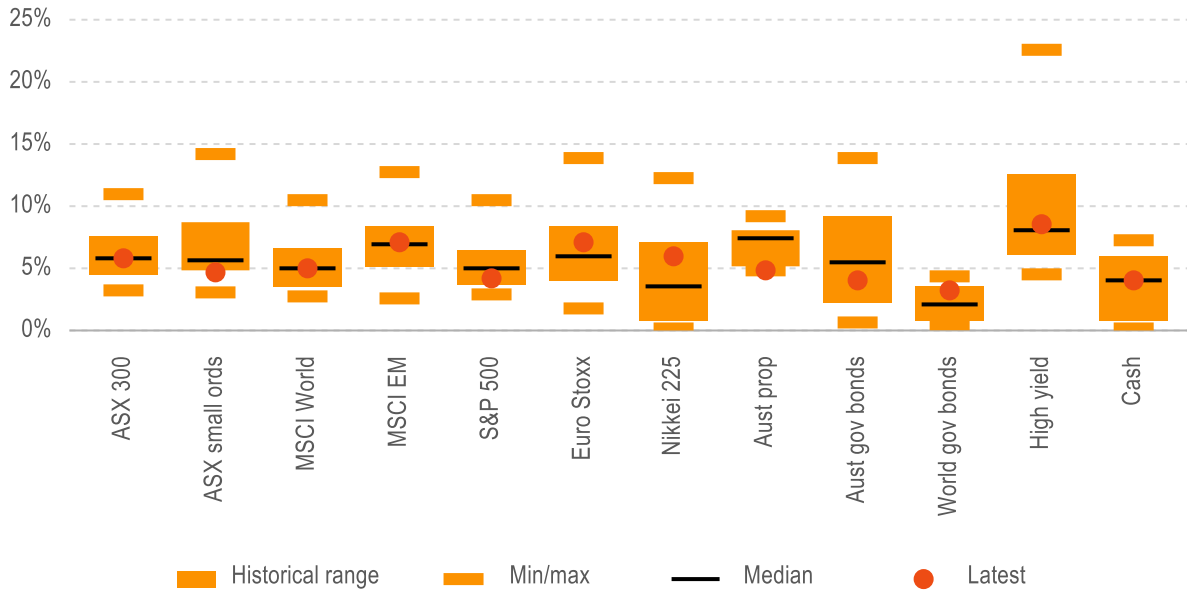
August 2023

	Index Value	Month	3 Months	FY24	1 Year	5 Yr p.a.	
Australian Equities							
	S&P/ASX 300 Accum. Index	7,258	-0.8%	3.9%	2.1%	9.0%	7.0%
	S&P/ASX 300 Accum. Industrials Index	10,807	-0.4%	3.5%	2.8%	6.4%	5.3%
	S&P/ASX 300 Accum. Resources Index	5,982	-1.8%	4.8%	0.4%	16.2%	13.0%
	ASX Small Caps Accum. Index	2,847	-1.3%	2.2%	2.2%	-1.1%	2.4%
International Equities							
	MSCI World Index (\$A)	5,164	1.6%	6.9%	3.7%	22.4%	10.8%
	MSCI World Index (Hedged \$A)	4,097	-1.8%	6.5%	1.0%	13.0%	7.5%
	MSCI Emerging Markets Index (\$A)	1,093	-2.4%	3.4%	2.5%	7.2%	3.2%
	MSCI World ex-Aus Small Cap Index (\$A)	618	0.1%	7.3%	3.7%	14.8%	6.3%
	US (S&P 500 Index in USD)*	4,508	-1.8%	7.8%	1.3%	14.0%	9.2%
	US Tech (NASDAQ Index in USD)*	14,035	-2.2%	8.5%	1.8%	18.8%	11.6%
	United Kingdom (FTSE 100 Index in GBP)*	7,439	-3.4%	-0.1%	-1.2%	2.1%	0.0%
	Japan (Nikkei 225 Index in JPY)*	32,619	-1.7%	5.6%	-1.7%	16.1%	7.4%
	Europe (Stoxx 50 Index in EUR)*	4,297	-3.9%	1.9%	-2.3%	22.2%	4.8%
	China (Shanghai Composite Index in CNY)*	3,120	-5.2%	-2.6%	-2.6%	-2.6%	2.7%
AUD versus ...							
	USD	0.65	-2.9%	-0.2%	-2.2%	-6.0%	-2.2%
	JPY	94.63	-0.1%	4.5%	-1.3%	-1.0%	3.3%
	GBP	0.51	-1.9%	-2.7%	-2.9%	-13.6%	-1.8%
	EUR	0.59	-2.1%	-2.2%	-2.6%	-13.6%	-0.9%
Real Assets							
	ASX 300 Listed Property Trusts Accum. Index	1,437	2.2%	6.1%	6.2%	5.9%	4.4%
	FTSE EPRA / NAREIT Dev. Index (Hedged \$A)	1,433	-2.7%	3.2%	0.4%	-7.0%	-0.9%
	MSCI Australia Infrastructure	1,212	-5.9%	-5.4%	-4.3%	-0.9%	4.8%
	FTSE Global Core Infra 50/50 Index (Hedged \$A)	2,228	-4.6%	-1.3%	-3.2%	-8.8%	4.4%
Oil and Commodities							
	Crude Oil (US\$/bbl)	83.6	2.2%	22.8%	18.4%	-7.1%	3.7%
	Copper Spot (US\$/tonne)	8,405	-4.5%	4.1%	1.0%	7.1%	7.1%
	Gold Spot (US\$/ounce)	1,942	-1.3%	-1.5%	1.4%	13.0%	10.1%
Australian Fixed Interest							
	Bloomberg AusBond Composite Index	9,645	0.7%	-0.7%	1.3%	1.8%	0.6%
	Bloomberg AusBond Government Index	9,911	0.6%	-1.2%	1.1%	1.0%	0.4%
	Bloomberg AusBond Corporate Index	10,607	1.0%	0.7%	1.8%	4.2%	1.8%
	Bloomberg AusBond Bank Bill Index	9,360	0.4%	1.0%	0.7%	3.4%	1.2%
Global Fixed Interest							
	Bloomberg Global Gov. Bond Index (Hedge \$A)	338	-0.2%	-0.7%	-0.5%	-1.5%	0.0%
	Bloomberg Global Agg. Bond Index (Hedge \$A)	978	-0.3%	-0.5%	-0.3%	-1.2%	0.1%
Fixed Income (yields) as at ...							
		Aug 2023	Jul 2023	May 2023	Jun 2023	Aug 2022	Aug 2018
	Australia Bank Bill	4.05	4.10	3.84	4.14	2.04	1.86
	Australia 10-Year Government Bond	4.04	4.06	3.60	4.00	3.61	2.53
	US 10-Year Government Bond	4.10	3.95	3.63	3.81	3.13	2.85
	UK 10-Year Government Bond	4.36	4.31	4.18	4.39	2.80	1.43
	Germany 10-Year Government Bond	2.47	2.47	2.27	2.39	1.53	0.33
	Japan 10-Year Government Bond	0.64	0.61	0.43	0.40	0.23	0.10

*Price Index

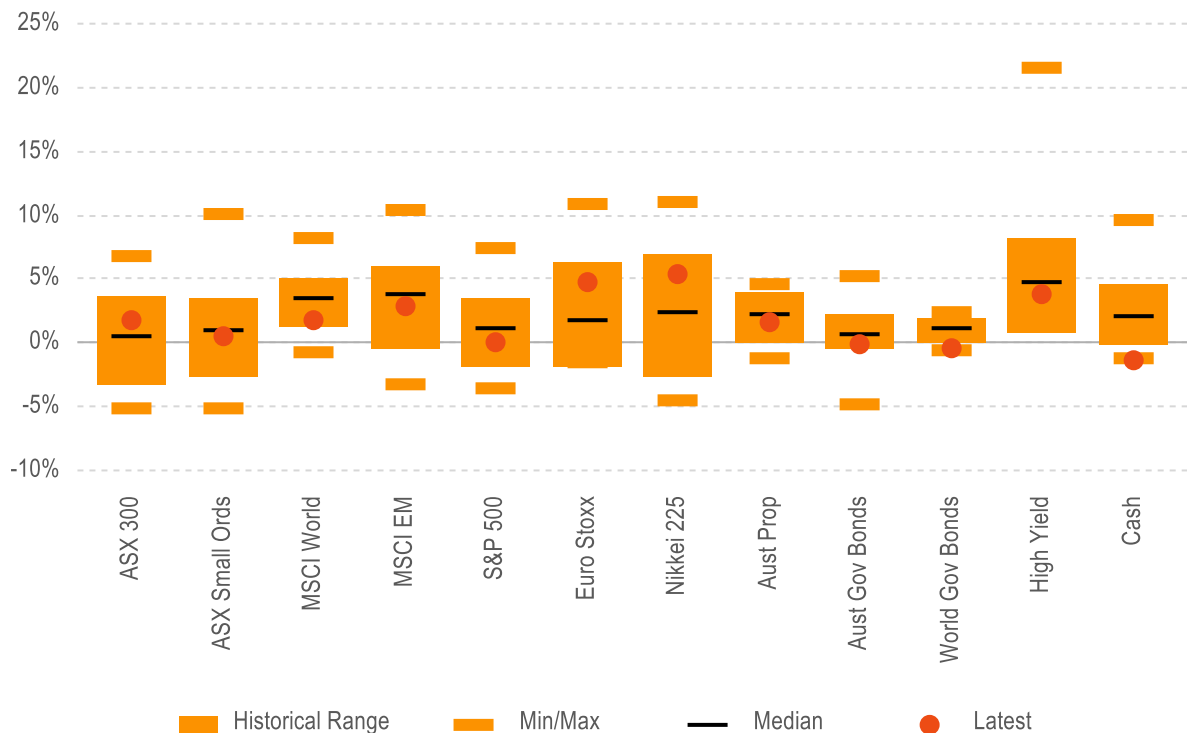
Asset class yields relative to history

Current yields (equities earnings)



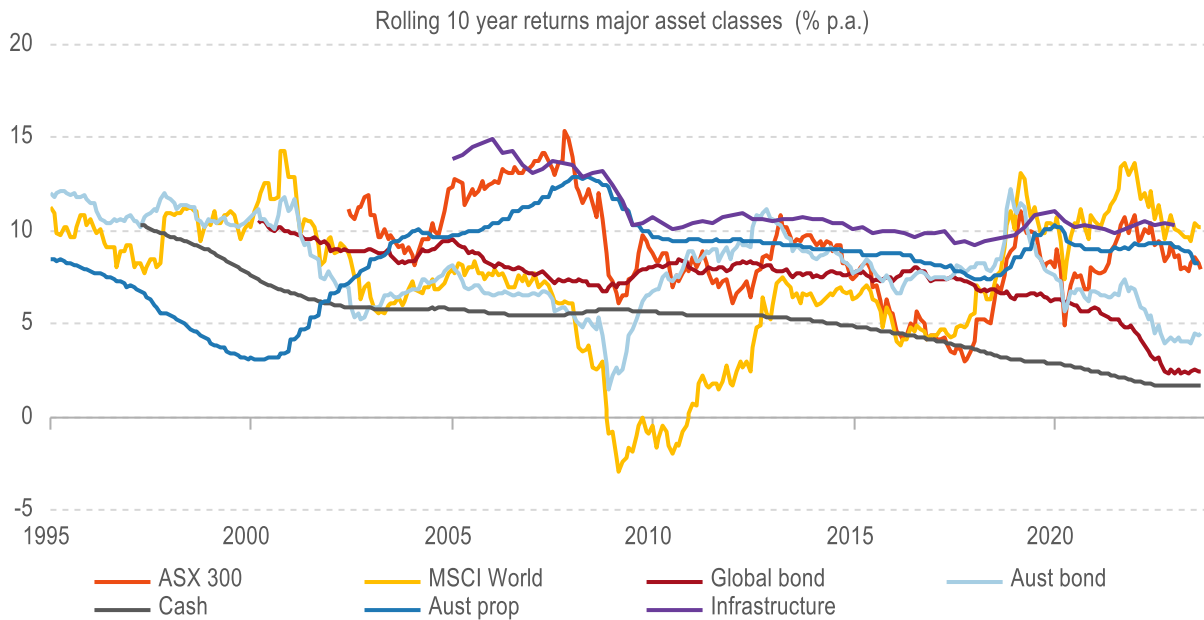
Source: LSEG Datastream

Relative yields (vs bond or cash yield)

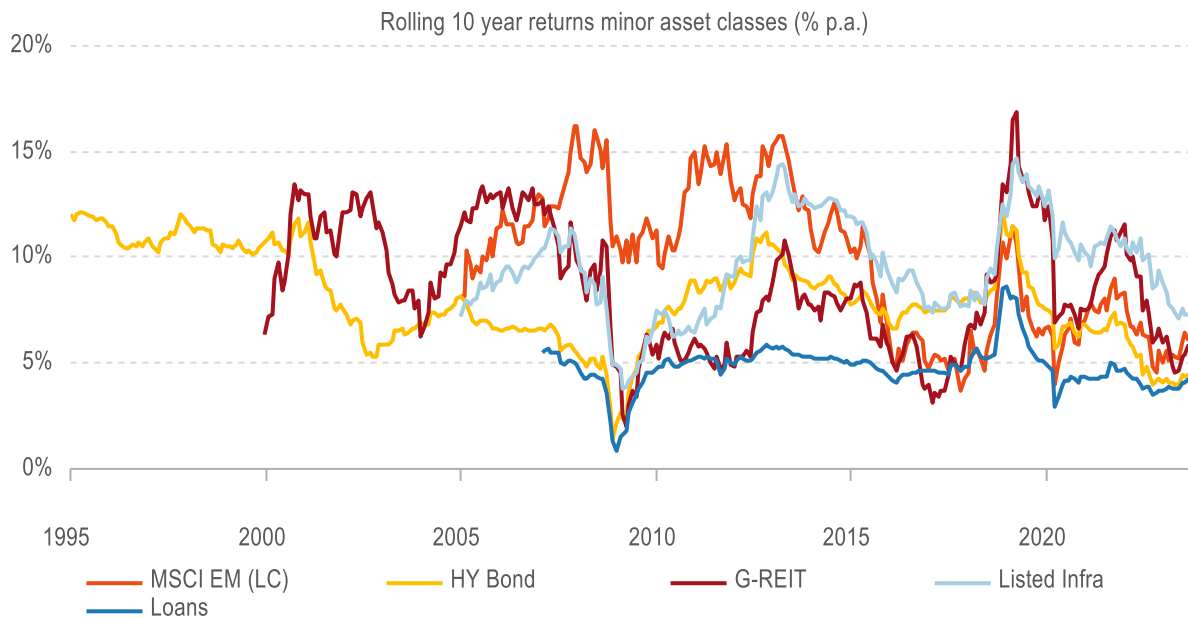


Source: LSEG Datastream

Asset class long-term returns

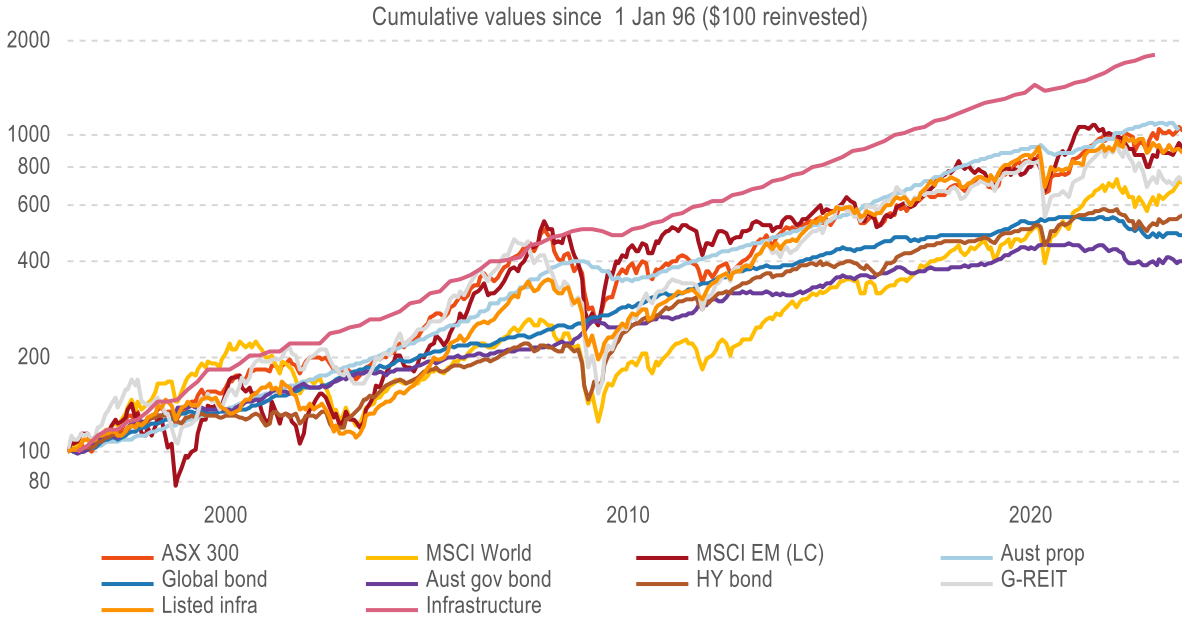


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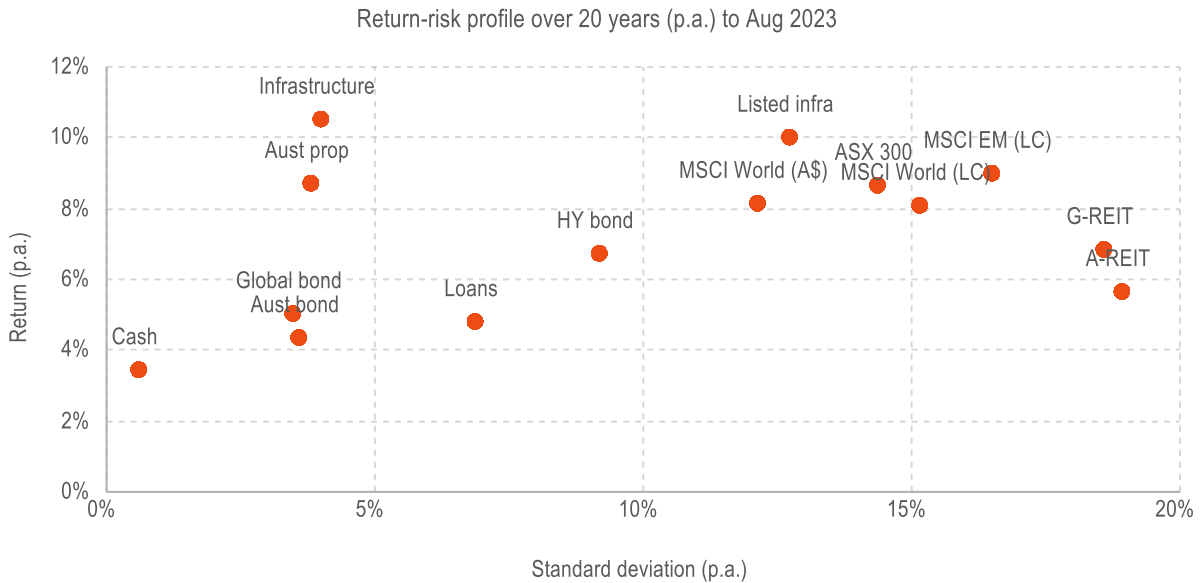


Source: LSEG Datastream

Asset class long-term returns



Source: LSEG Datastream



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