

Monthly Market Snapshot

August 2022

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

Market commentary

The month of August has seen market volatility intensify in response to interest rate hikes, energy market concerns and geopolitical tensions. High inflation and recession risks are a key focus for investment markets.

In the US, reported GDP contracted consecutively in the June quarter, led by a sharp decline in inventories. However, the National Bureau of Economic Research (NBER) has not defined that the US is in recession as there has not been a significant decline in activity across the economy. Consumption growth remains positive, although moderated from the prior quarter, and the labor market is strong, as new job openings remained elevated and wage growth continues to rise. The annual CPI inflation fell to 8.5% in July from a 40-year high of 9.1% in June, as energy prices came down from peak levels.

US Federal Reserve Chair, Jerome Powell's speech at the Jackson Hole Economic Symposium emphasised restoring price stability and cautioned that doing so would likely require a restrictive policy stance for some time. In response to the speech, global equity markets fell, particularly in the US and Europe, producing a negative return for the month. Expectations of future interest rates increased, and sharp rises in bond yields caused negative returns for bonds. The USD appreciated further on the expectation of more interest rate rises in the US, although the AUD appreciated against other major currencies, given the RBA is also expected to continue to raise rates.

In Europe, energy market developments are a focus with extremely volatile gas prices rising to very high levels in response to the Russian invasion of Ukraine. The European Union is preparing to intervene in the short-term to try to dampen energy costs and reform the European power market. The Bank of England increased its interest rate and the European Central Bank (ECB) indicated it would be increasing rates also to address soaring inflation. In Japan, inflation is much lower and interest rates are not expected to rise. This is driving a significant depreciation of the Yen, which contributed to the small positive performance of Japanese equities.

Inflation is also a concern in Australia and the RBA increased the cash rate and signaled further hikes. Australian equities produced a small positive return

over the month, due to a positive return from Resources stocks, contrary to oil and commodity prices generally falling in August.

The Reserve Bank of New Zealand announced its 7th consecutive interest rate hike, taking the benchmark policy rate to its highest level since 2015.

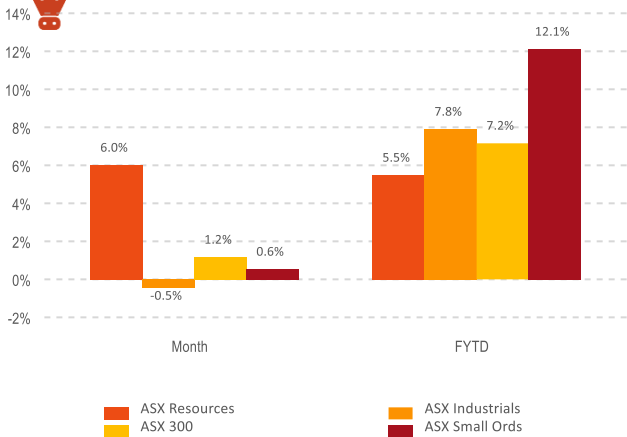
Chinese economic data is weak, damaged by COVID restrictions and a property market slump. The policy response is ramping up stimulus to counter the slowdown, with the People's Bank of China (PBOC) lowering interest rates and the State Council announcing packages, including infrastructure investment and property finance support.

Listed real assets produced a negative return in August in response to rising bond yields. In particular, listed property was impacted, while negative returns from listed infrastructure were more moderate.

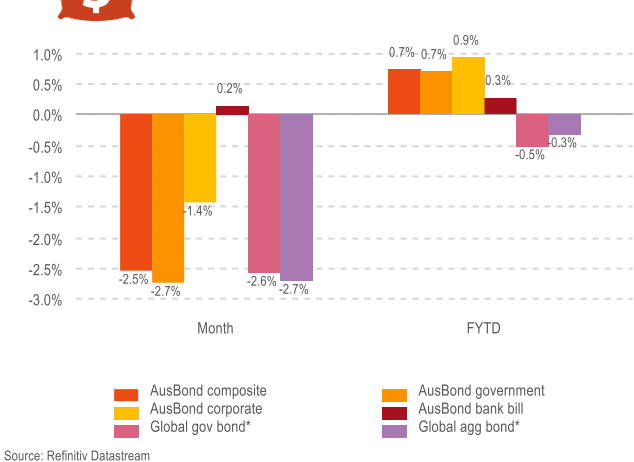
Aug 2022



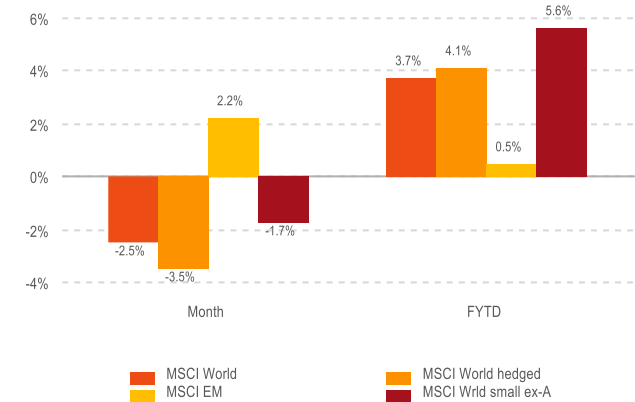
Australian equities



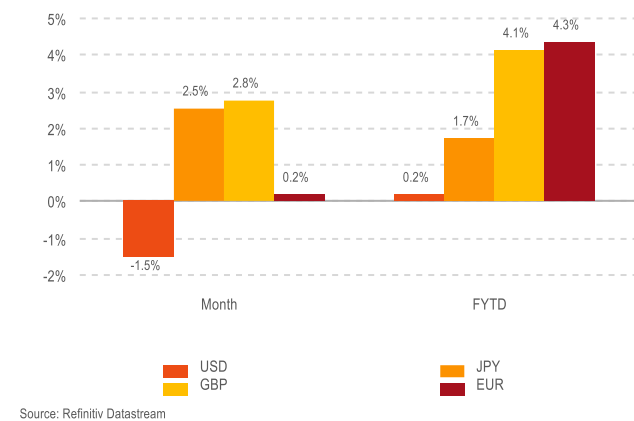
Fixed income



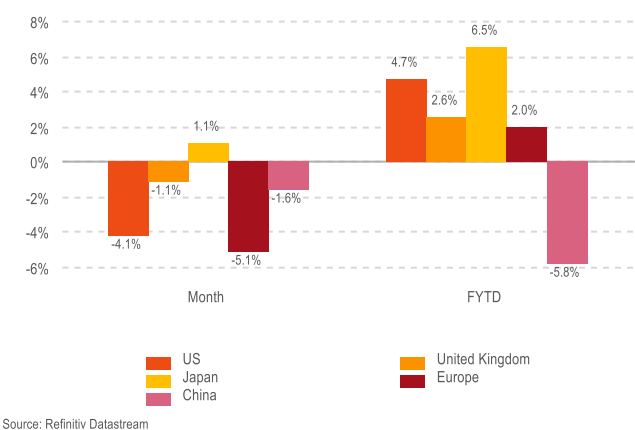
International equities (\$A)



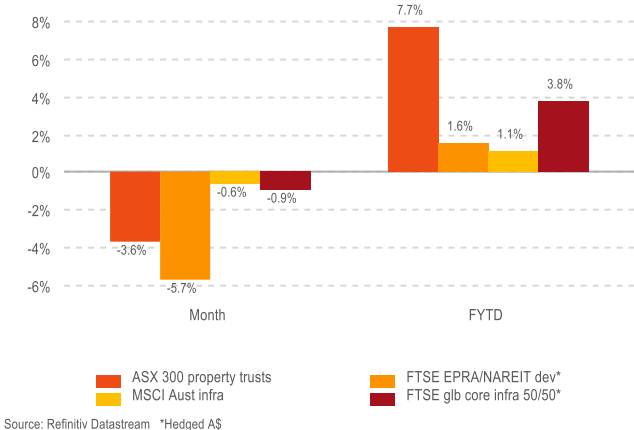
Australian dollar



International equities











Real assets



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

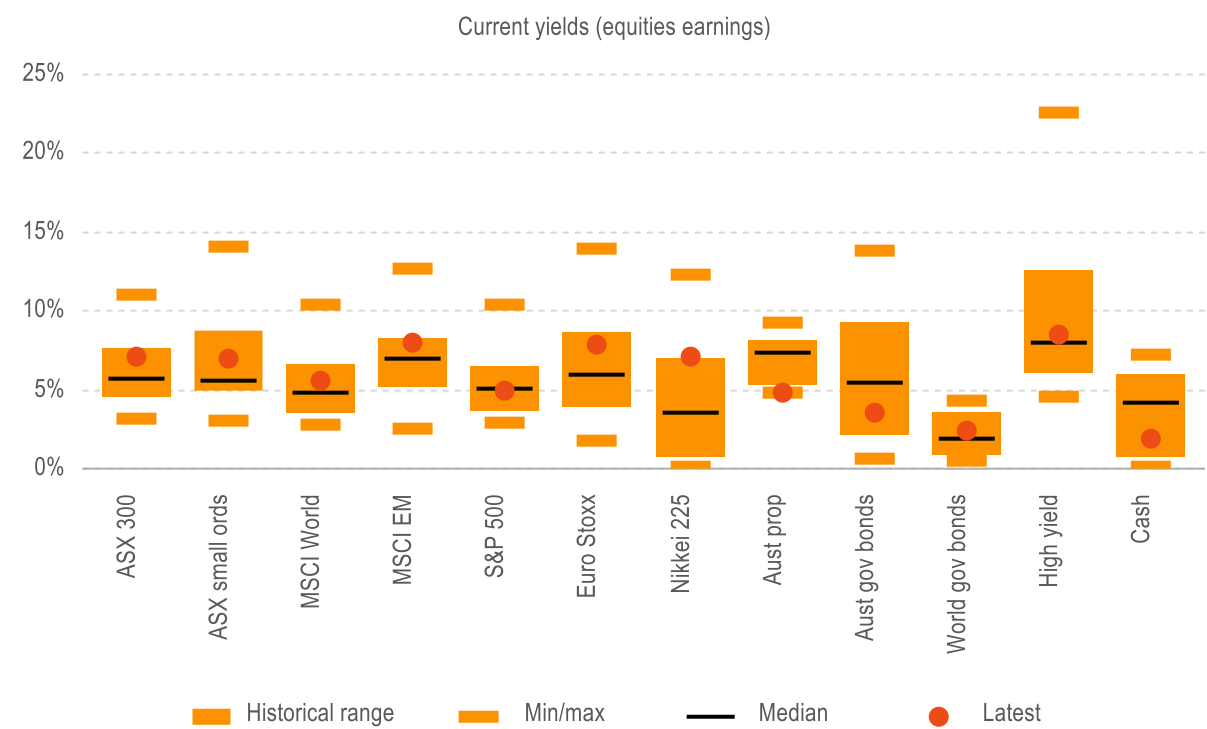
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	Index Value	Month	3 Months	FYTD	1 Year	5 Yr p.a.
 Australian Equities						
S&P/ASX 300 Accum. Index	6,976	1.2%	-2.4%	7.2%	-3.7%	8.2%
S&P/ASX 300 Accum. Industrials Index	10,536	-0.5%	-1.0%	7.8%	-7.4%	6.8%
S&P/ASX 300 Accum. Resources Index	5,537	6.0%	-6.2%	5.5%	11.3%	14.0%
ASX Small Caps Accum. Index	2,965	0.6%	-2.6%	12.1%	-14.7%	6.9%
 International Equities						
MSCI World Index (\$A)	4,292	-2.5%	-1.2%	3.7%	-9.5%	11.1%
MSCI World Index (Hedged \$A)	3,627	-3.5%	-4.3%	4.1%	-12.6%	7.8%
MSCI Emerging Markets Index (\$A)	1,047	2.2%	-2.1%	0.5%	-16.6%	3.6%
MSCI World ex-Aus Small Cap Index (\$A)	548	-1.7%	-0.5%	5.6%	-13.9%	8.5%
US (S&P 500 Index in USD)*	3,955	-4.2%	-4.3%	4.5%	-12.6%	9.9%
US Tech (NASDAQ Index in USD)*	11,816	-4.6%	-2.2%	7.1%	-22.6%	13.0%
United Kingdom (FTSE 100 Index in GBP)*	7,284	-1.9%	-4.3%	1.6%	2.3%	-0.4%
Japan (Nikkei 225 Index in JPY)*	28,092	1.0%	3.0%	6.4%	0.0%	7.4%
Europe (Stoxx 50 Index in EUR)*	3,517	-5.1%	-7.2%	1.8%	-16.2%	0.6%
China (Shanghai Composite Index in CNY)*	3,202	-1.6%	0.5%	-5.8%	-9.6%	-1.0%
 AUD versus ...						
USD	0.69	-1.5%	-4.0%	0.2%	-5.9%	-2.7%
JPY	95.55	2.5%	4.0%	1.7%	18.6%	1.8%
GBP	0.59	2.8%	3.6%	4.1%	11.1%	-0.7%
EUR	0.69	0.2%	2.8%	4.3%	10.9%	0.7%
 Real Assets						
ASX 300 Listed Property Trusts Accum. Index	1,421	-3.6%	-3.5%	7.7%	-10.5%	6.3%
FTSE EPRA / NAREIT Dev. Index (Hedged \$A)	1,591	-5.7%	-6.4%	1.6%	-13.8%	2.0%
MSCI Australia Infrastructure	1,271	-0.6%	-0.8%	1.1%	10.0%	5.3%
FTSE Global Core Infra 50/50 Index (Hedged \$A)	2,529	-0.9%	-1.4%	3.8%	5.9%	6.8%
 Oil and Commodities						
Crude Oil (US\$/bbl)	90.1	-11.2%	-21.5%	-16.4%	31.2%	13.8%
Copper Spot (US\$/tonne)	7,846	-1.1%	-16.9%	-5.0%	-17.7%	3.0%
Gold Spot (US\$/ounce)	1,720	-2.5%	-6.8%	-4.8%	-4.8%	5.5%
 Australian Fixed Interest						
Bloomberg AusBond Composite Index	9,477	-2.5%	-0.8%	0.7%	-11.5%	1.0%
Bloomberg AusBond Government Index	9,815	-2.7%	-0.6%	0.7%	-12.1%	1.0%
Bloomberg AusBond Corporate Index	10,176	-1.4%	-0.4%	0.9%	-9.0%	1.7%
Bloomberg AusBond Bank Bill Index	9,055	0.2%	0.3%	0.3%	0.4%	0.9%
 Global Fixed Interest						
Bloomberg Global Gov. Bond Index (Hedge \$A)	343	-2.6%	-1.7%	-0.5%	-9.8%	0.5%
Bloomberg Global Agg. Bond Index (Hedge \$A)	989	-2.7%	-1.9%	-0.3%	-10.5%	0.5%
 Fixed Income (yields) as at ...						
	Aug 2022	Jul 2022	May 2022	Jun 2022	Aug 2021	Aug 2017
Australia Bank Bill	2.04	1.65	0.55	1.14	0.01	1.60
Australia 10-Year Government Bond	3.61	3.08	3.35	3.69	1.16	2.73
US 10-Year Government Bond	3.13	2.64	2.84	2.97	1.30	2.12
UK 10-Year Government Bond	2.80	1.86	2.10	2.24	0.62	1.04
Germany 10-Year Government Bond	1.53	0.83	1.13	1.37	-0.38	0.36
Japan 10-Year Government Bond	0.23	0.18	0.24	0.23	0.02	0.01

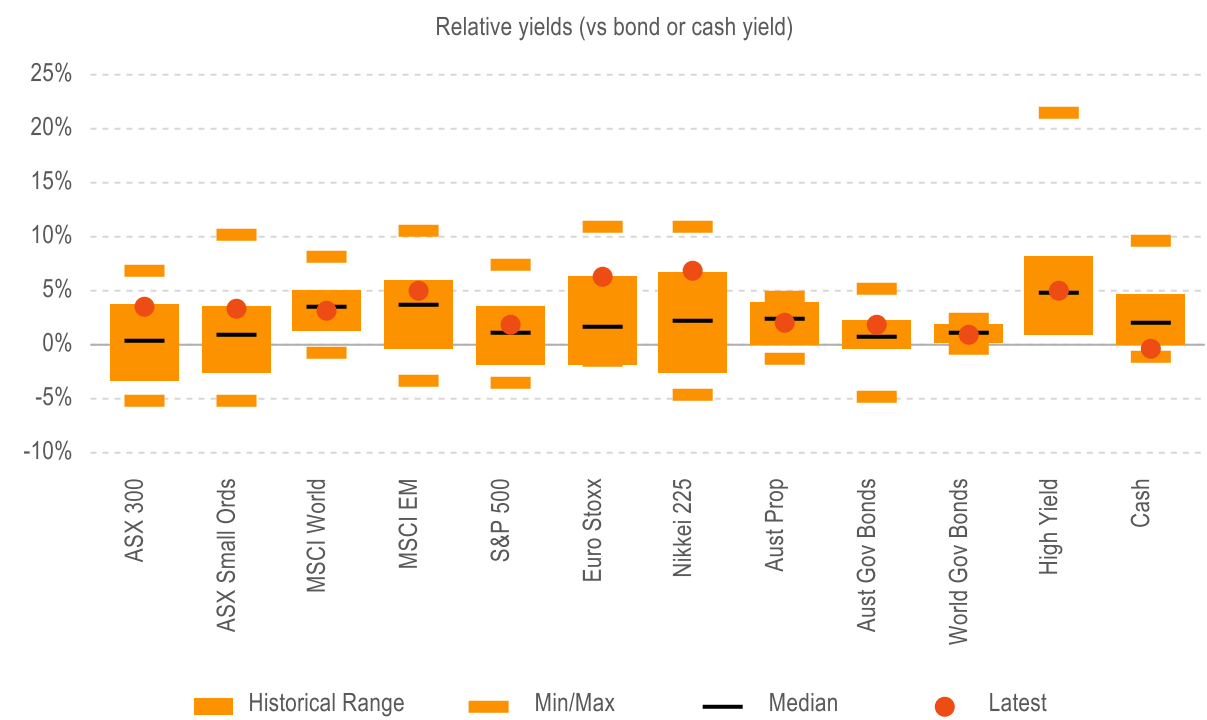
Source: Refinitiv Datastream

*Price Index

Asset class yields relative to history

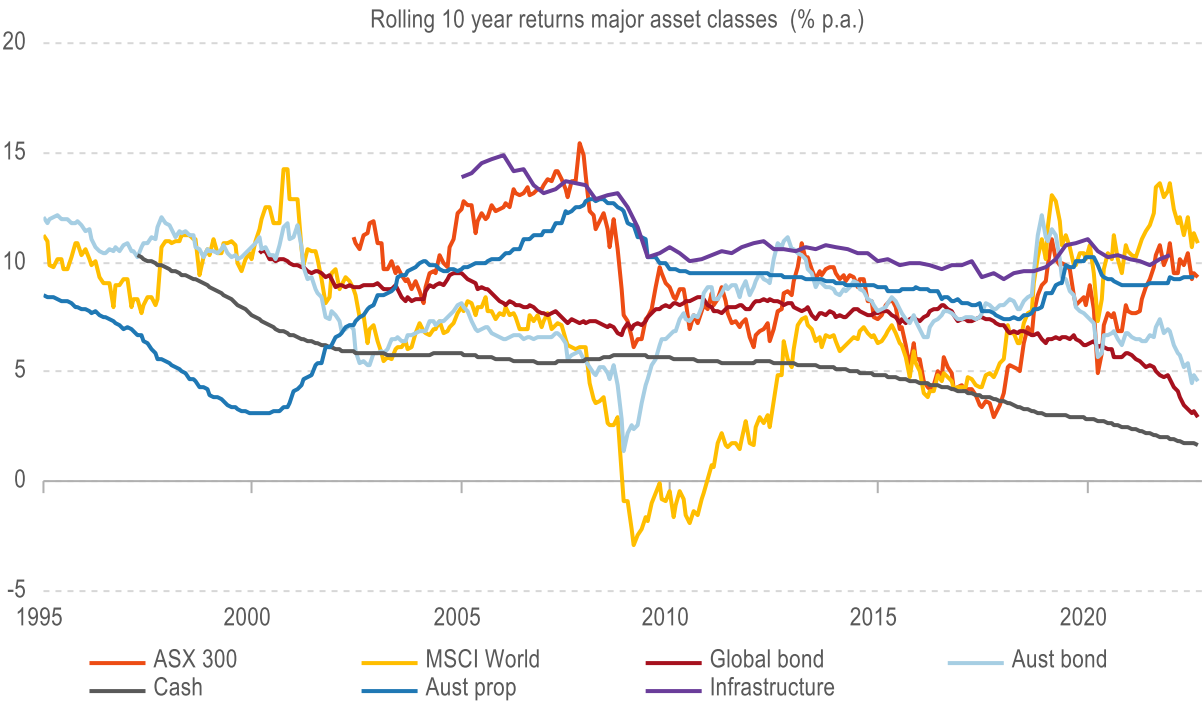


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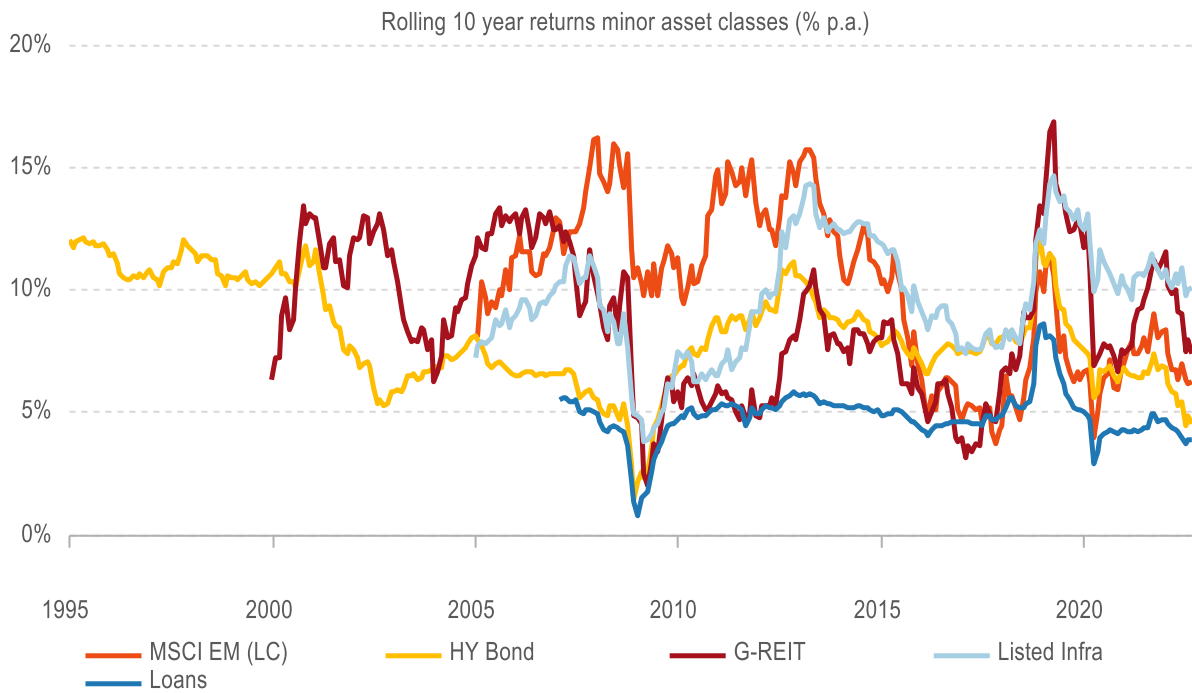


Source: Refinitiv Datastream

Asset class long-term returns

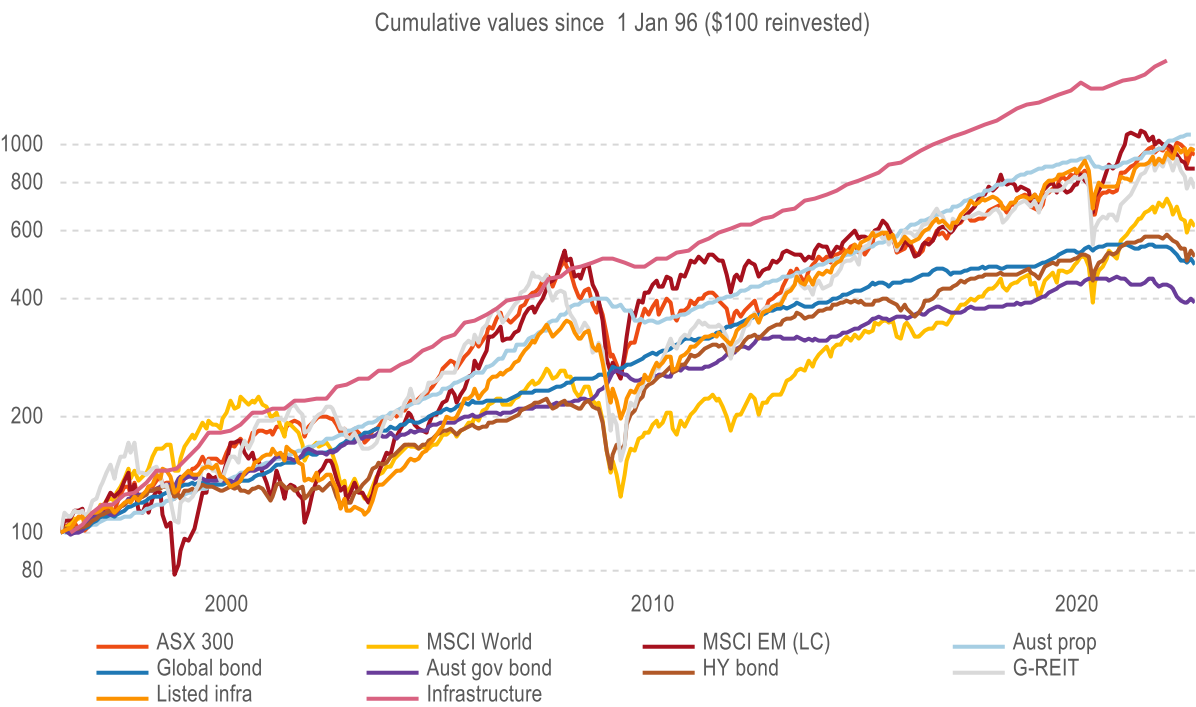


Source: Refinitiv Datastream



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Asset class long-term returns



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