

Monthly Market Snapshot

February 2022

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



Market commentary

In February, the major crisis of Russia invading Ukraine led to a variety of sanctions imposed on Russian exports and assets, and a collapse in the price of Russian equities, bonds and the ruble currency. The corresponding increase in risk aversion led to a decrease in the performance of global equities.

The invasion of Ukraine contributed to a spike in commodity prices, including oil, as Russia is a key producer of oil and gas. Russia and Ukraine are also significant exporters of agricultural products, such as wheat and corn. Furthermore, the uncertainty led to an increase in the perceived safe haven asset, gold, and an increase in the volatility index, VIX.

The Australian market was one of the few that posted positive performance, with the resources sector being the major contributor, supported by the rise in commodities prices. In addition, the financials sector also contributed to positive performance in the month.

Economic indicators within the US were generally positive with the service and business PMIs exhibiting an increase from prior months. Furthermore, employment and wages data also recorded an increase. With high inflation and strong employment, the expectation of the market is still for the US Fed to follow through on rate hikes over the course of the year. Nevertheless, investor concerns over the Russia-Ukraine situation, and tighter monetary policy, saw the decline in the US equity market.

Headline inflation within Europe is also at a high level, with a large part coming from energy inflation. While the ECB is not ruling out a rate hike over the year, the meeting during the month suggested a gradual approach would be undertaken. While economic indicators were generally positive, concerns around the disruption of Russian commodity exports, and its significant impact on Europe, led to the decline in European markets over the month.

Bond yields rose in the month, particularly Australian government bond yields, which resulted in the negative performance of bond indices. Inflation remains a key focus of central banks and markets continue to expect rates to be increased during the year. The latest commentary from the RBA, amidst the announcement of its decision to leave the official interest rate target on hold at 0.10%, was that it was prepared to be patient when it comes to raising interest rates.

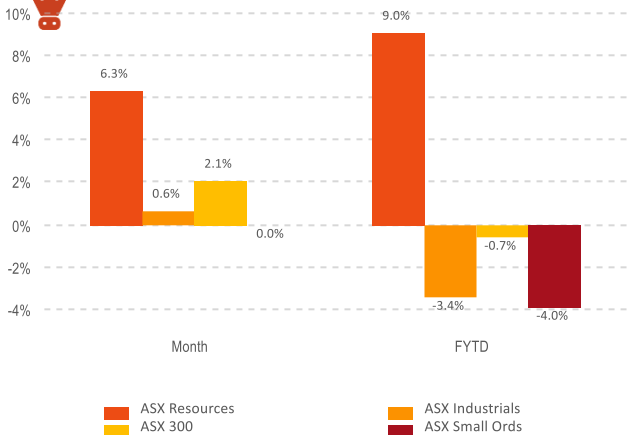
The Australian dollar outperformed against the major currencies over the month given the strong prices exhibited by Australia's major export commodities.

Australian listed real assets outperformed international listed real assets, in line with broader equity markets, despite bond yields rising relatively more in Australia during the month.

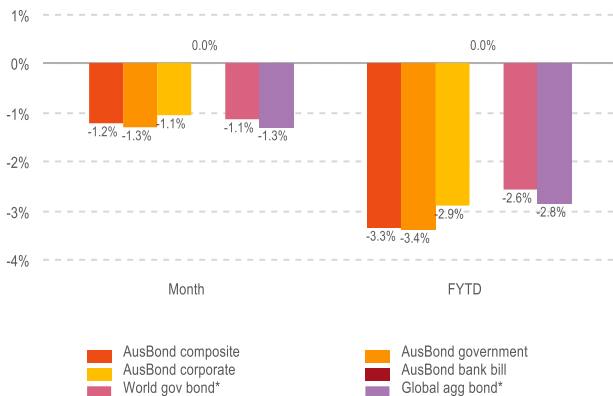
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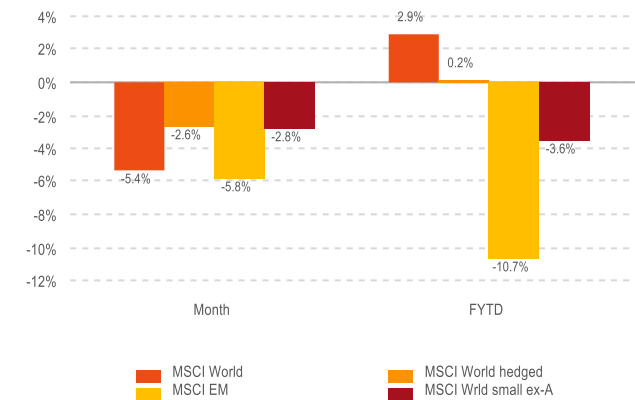
Australian equities



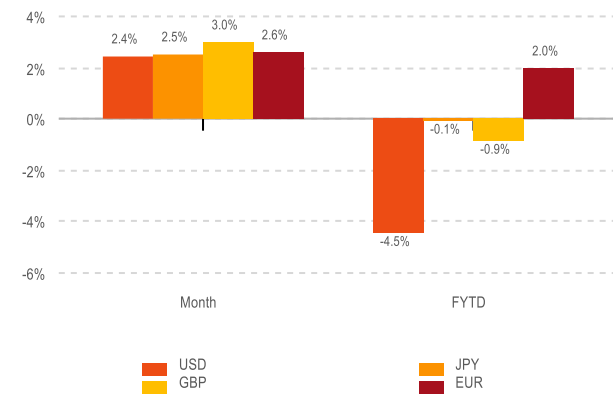
Fixed income



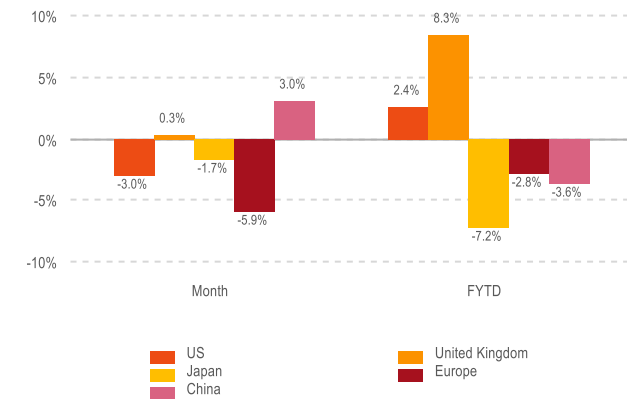
International equities (\$A)



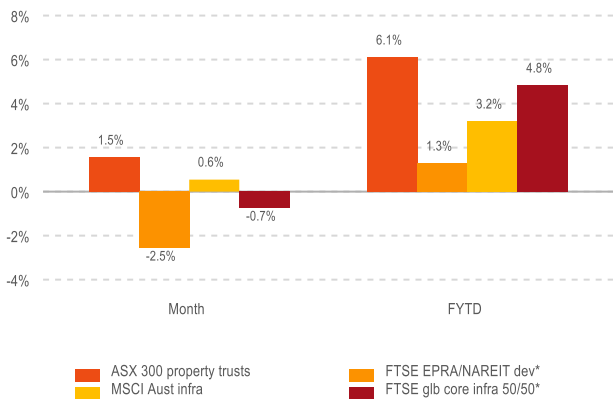
Australian dollar



International equities











Real assets



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

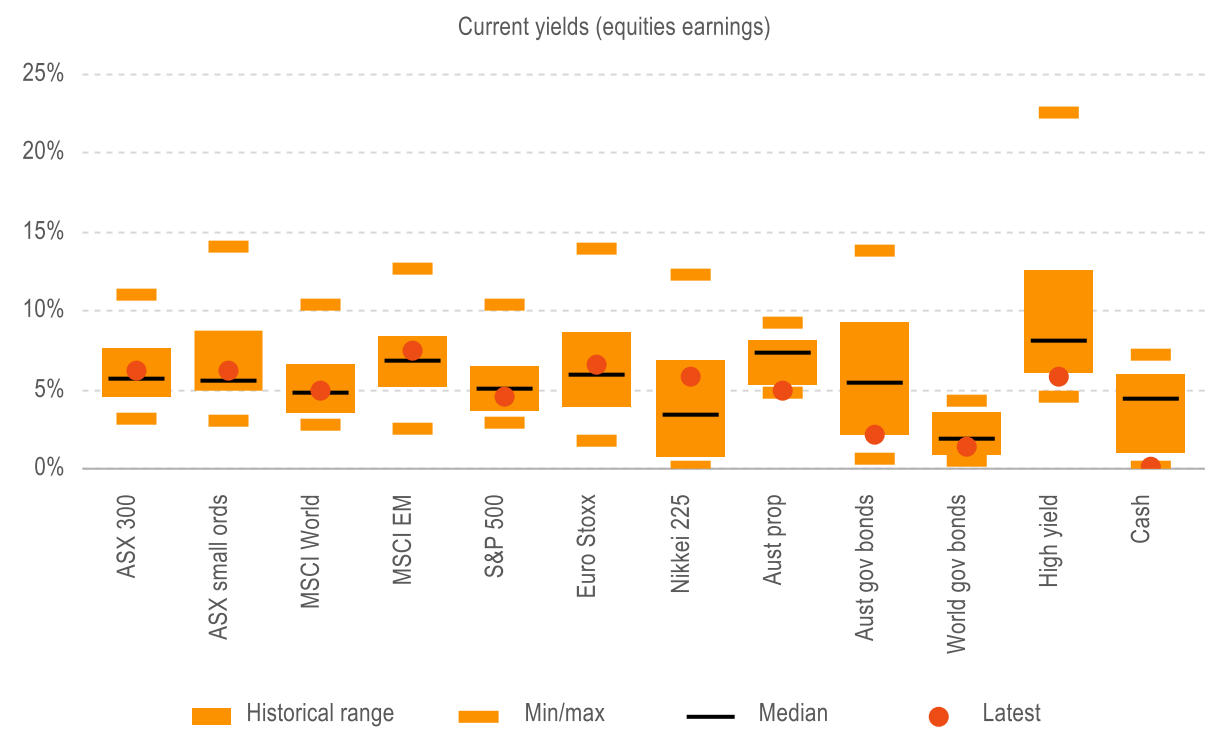
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	Index Value	Month	3 Months	FYTD	1 Year	5 Yr p.a.
 Australian Equities						
S&P/ASX 300 Accum. Index	7,048	2.1%	-2.0%	-0.7%	10.2%	8.6%
S&P/ASX 300 Accum. Industrials Index	10,625	0.6%	-6.4%	-3.4%	9.3%	6.9%
S&P/ASX 300 Accum. Resources Index	5,623	6.3%	15.9%	9.0%	12.7%	15.9%
ASX Small Caps Accum. Index	3,205	0.0%	-7.7%	-4.0%	5.0%	9.4%
 International Equities						
MSCI World Index (\$A)	4,596	-5.4%	-5.9%	2.9%	18.2%	13.4%
MSCI World Index (Hedged \$A)	3,980	-2.6%	-3.9%	0.2%	12.3%	11.1%
MSCI Emerging Markets Index (\$A)	1,165	-5.8%	-5.3%	-10.7%	-4.7%	8.2%
MSCI World ex-Aus Small Cap Index (\$A)	593	-2.8%	-6.2%	-3.6%	6.6%	10.9%
US (S&P 500 Index in USD)*	4,374	-3.1%	-4.2%	1.8%	14.8%	13.1%
US Tech (NASDAQ Index in USD)*	13,751	-3.4%	-11.5%	-5.2%	4.2%	18.8%
United Kingdom (FTSE 100 Index in GBP)*	7,458	-0.1%	5.6%	6.0%	15.0%	0.5%
Japan (Nikkei 225 Index in JPY)*	26,527	-1.8%	-4.7%	-7.9%	-8.4%	6.8%
Europe (Stoxx 50 Index in EUR)*	3,924	-6.0%	-3.4%	-3.4%	7.9%	3.4%
China (Shanghai Composite Index in CNY)*	3,462	3.0%	-2.9%	-3.6%	-1.3%	1.3%
 AUD versus ...						
USD	0.72	2.4%	0.5%	-4.5%	-8.3%	-1.4%
JPY	83.01	2.5%	2.3%	-0.1%	-0.1%	-0.8%
GBP	0.54	3.0%	0.4%	-0.9%	-4.0%	-2.7%
EUR	0.64	2.6%	1.9%	2.0%	0.0%	-2.4%
 Real Assets						
ASX 300 Listed Property Trusts Accum. Index	1,612	1.5%	-3.2%	6.1%	24.9%	8.2%
FTSE EPRA / NAREIT Dev. Index (Hedged \$A)	1,800	-2.5%	-2.5%	1.3%	14.8%	4.6%
MSCI Australia Infrastructure	1,169	0.6%	-2.5%	3.2%	10.5%	3.2%
FTSE Global Core Infra 50/50 Index (Hedged \$A)	2,447	-0.7%	2.9%	4.8%	16.1%	7.8%
 Oil and Commodities						
Crude Oil (US\$/bbl)	95.7	8.6%	44.6%	30.0%	50.7%	12.1%
Copper Spot (US\$/tonne)	9,919	3.6%	4.2%	6.1%	8.5%	10.7%
Gold Spot (US\$/ounce)	1,904	6.0%	6.9%	7.8%	10.2%	8.7%
 Australian Fixed Interest						
Bloomberg AusBond Composite Index	10,161	-1.2%	-2.1%	-3.3%	-1.1%	2.7%
Bloomberg AusBond Government Index	10,553	-1.3%	-2.4%	-3.4%	-0.6%	2.8%
Bloomberg AusBond Corporate Index	10,744	-1.1%	-1.4%	-2.9%	-1.6%	3.3%
Bloomberg AusBond Bank Bill Index	9,023	0.0%	0.0%	0.0%	0.0%	1.1%
 Global Fixed Interest						
FTSE WGBI ex-Aus (Hedged \$A)	2,519	-1.1%	-3.6%	-2.6%	-2.1%	2.4%
Barclay's Global Agg. Bond Index (Hedged \$A)	1,063	-1.3%	-3.3%	-2.8%	-2.3%	2.4%
 Fixed Income (yields) as at ...	Feb 2022	Jan 2022	Nov 2021	Jun 2021	Feb 2021	Feb 2017
Australia Bank Bill	0.02	0.01	0.02	0.01	0.00	1.63
Australia 10-Year Government Bond	2.16	1.91	1.73	1.51	1.85	2.75
US 10-Year Government Bond	1.84	1.78	1.44	1.44	1.46	2.36
UK 10-Year Government Bond	1.41	1.31	0.81	0.72	0.82	1.15
Germany 10-Year Government Bond	0.16	0.01	-0.34	-0.20	-0.26	0.21
Japan 10-Year Government Bond	0.18	0.17	0.06	0.05	0.17	0.05

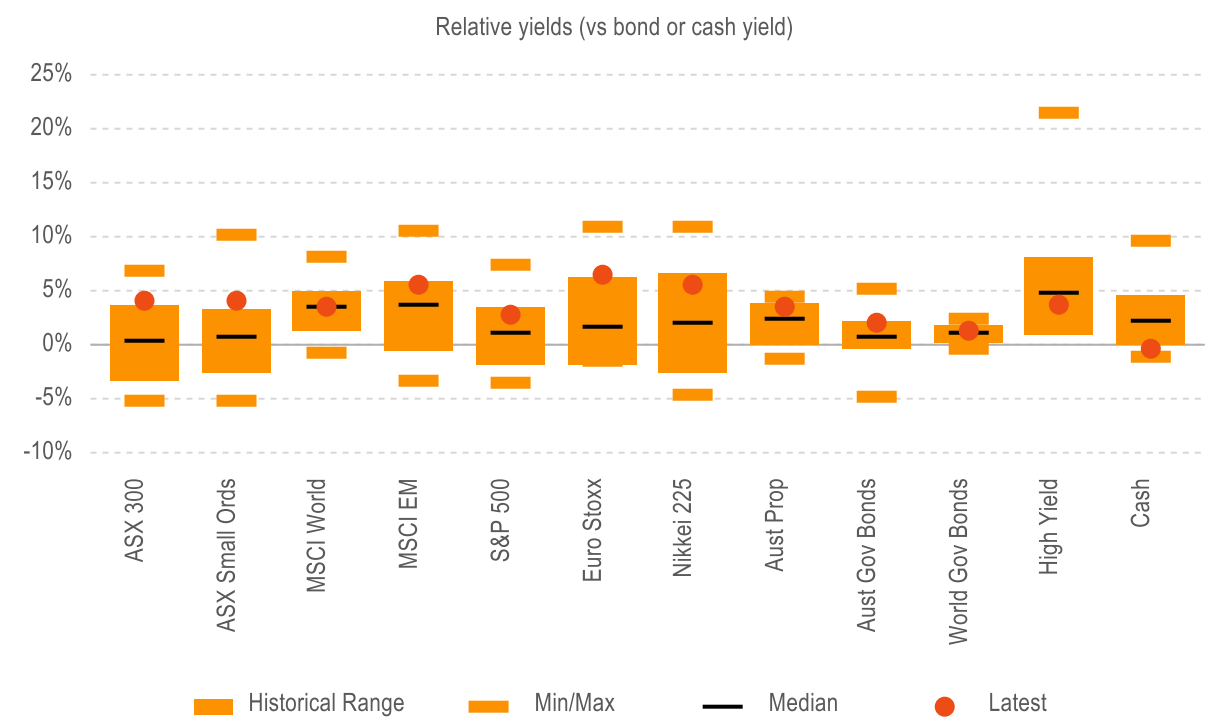
Source: Refinitiv Datastream

*Price Index

Asset class yields relative to history

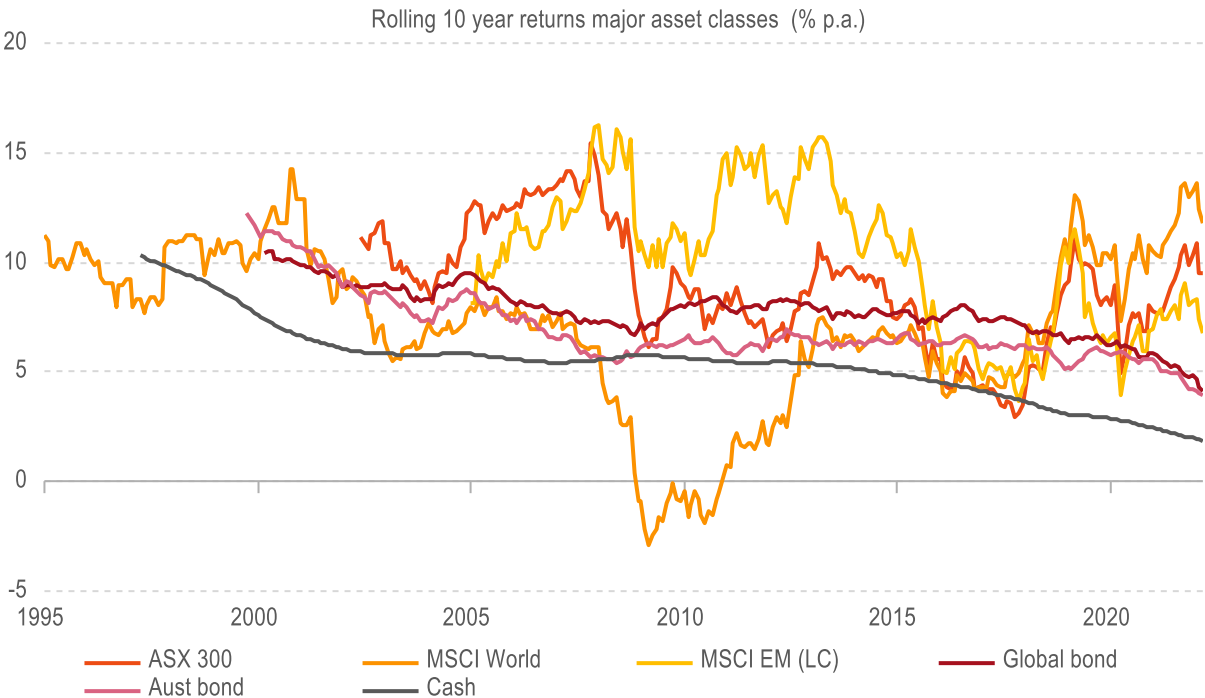


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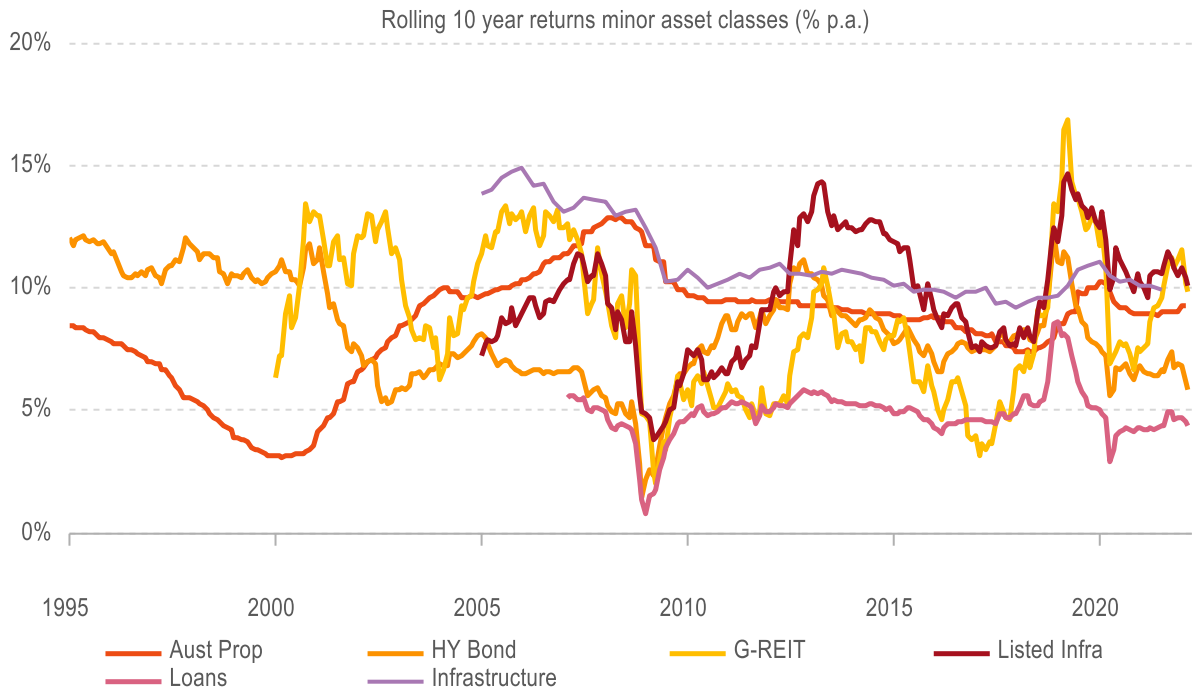


Source: Refinitiv Datastream

Asset class long-term returns

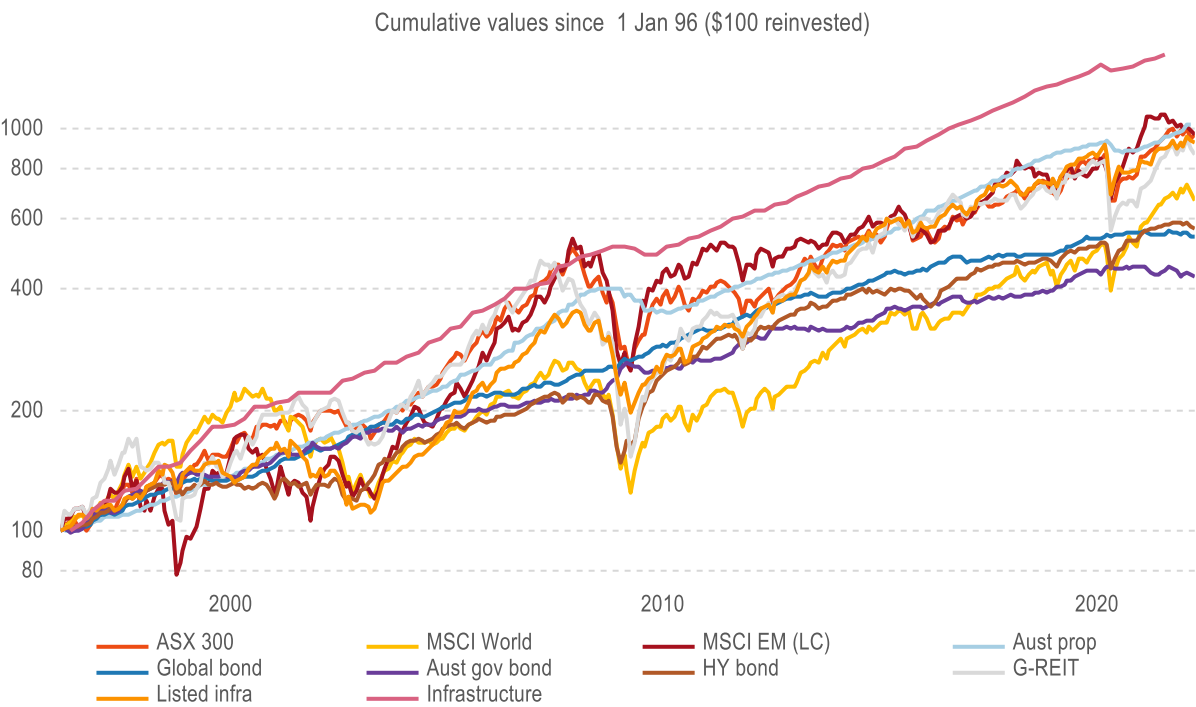


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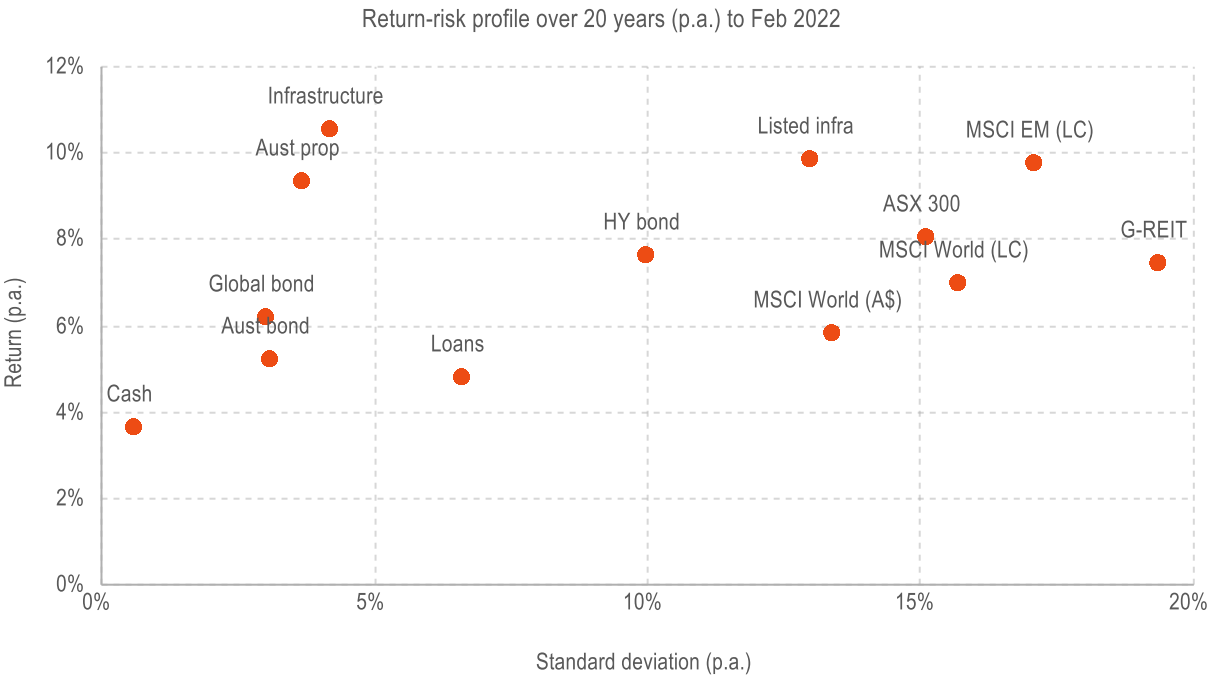


Source: Refinitiv Datastream

Asset class long-term returns



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