

Monthly Market Snapshot

January 2022

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



Market commentary

The spread of Omicron is having a big impact but there are signs in some regions that the number of new cases has peaked. During the month, the UK announced that Covid restrictions will end, with mandatory face coverings in public and Covid passports both being removed. Several countries such as Thailand and Singapore have established a quarantine-free entry program for vaccinated travelers to encourage tourism and trade.

Australian and international equity markets experienced a fall to start 2022, primarily driven by a sell-off in growth related stocks in response to the expected hiking in interest rates by central banks globally. US technology stocks were some of the hardest hit, while European stock markets, with less technology exposure, produced smaller negative return. Meanwhile, UK equities produced a small positive return.

Tensions between Russia and Ukraine escalated amidst the build up of Russian troops near the Ukrainian border, with fears of a possible invasion. In addition, there were supply shortages as some OPEC producers struggled to pump more oil. The result was oil prices experiencing double digit gains over the month. High commodities prices continue to drive the strong returns posted from the Australian resources sector. While Russia experienced a decline due to tensions with Ukraine, other net oil exporters, such as Saudi Arabia, Kuwait and Colombia, were beneficiaries of the higher energy prices. Overall, the emerging markets equity index outperformed the World index in January.

Bond yields rose and this resulted in major bond indices producing negative returns over the month.

Inflation which is a key factor that impacts central banks' interest rate policy decisions remains high relative to its historical average. This has led to market participants forecasting multiple rate hikes, including in the US and Australia over 2022. The US Federal Reserve stated at its January meeting, that it expects it will soon raise rates, while the RBA is still advising it will be patient before it raises rates. Inflation in the Eurozone is above the European Central Bank's target, but ECB president, Christine Lagarde, reiterated that any determinations to increase interest rates will be gradual.

Despite the increased volatility experienced over the month, credit spreads have only increased modestly. The key driver of bond index performance in January was the rise in the base government bond yields.

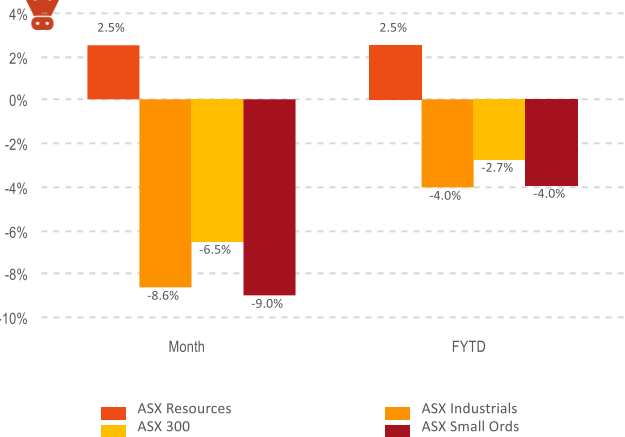
The increase in market volatility saw the Australian dollar decrease relative to major developed countries over the month. The fall in the Australian dollar is also impacted by the RBA's current stance on monetary policy, which understates the likelihood of an interest rate hike in the near-term. Meanwhile, the increase in the US dollar was impacted by the expectation that the US Fed would be raising rates soon.

The listed real assets market was also adversely impacted by the increase in bond yields impacting the valuations of assets. Australian listed property produced a large negative return over the month. Nevertheless, this is after a period of very strong returns and the performance of the listed real assets market is still strongly positive over the last 12-months.

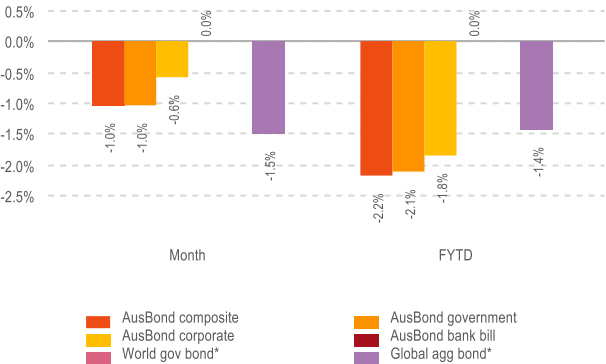
January 2022



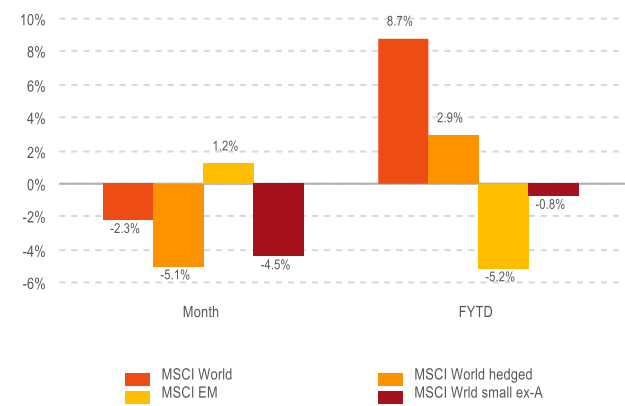
Australian equities



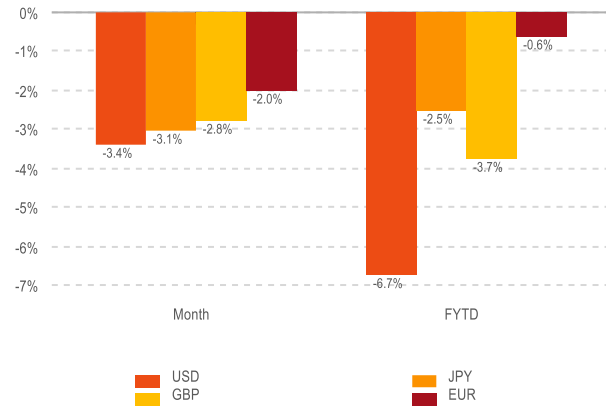
Fixed income



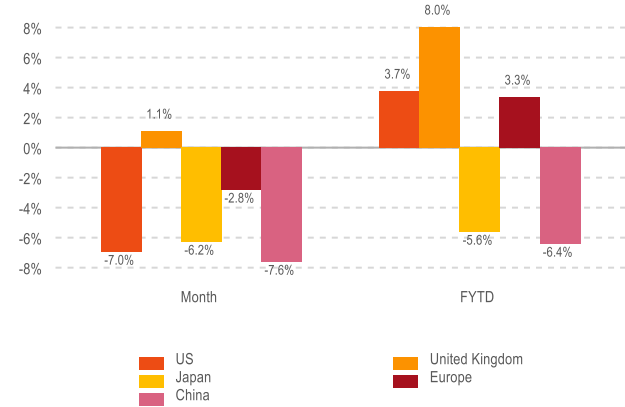
International equities (\$A)



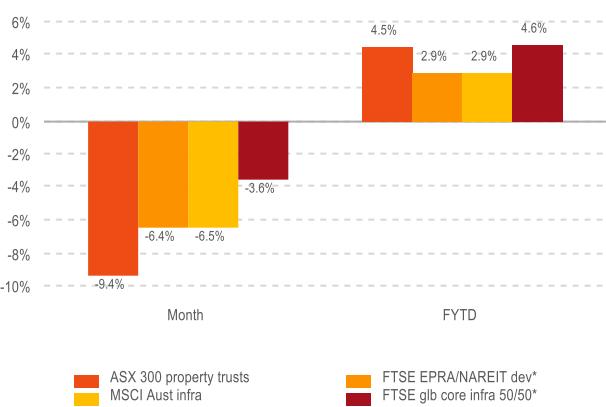
Australian dollar



International equities











Real assets



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

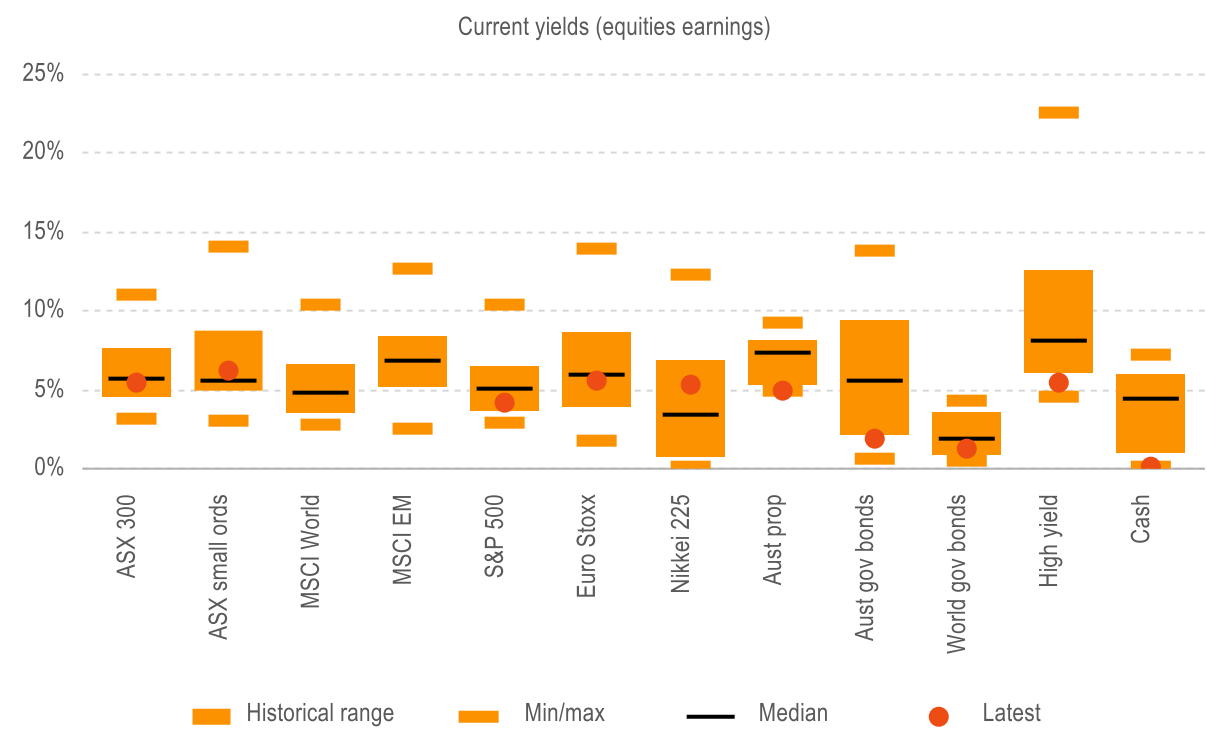
January 2022

	Index Value	Month	3 Months	FYTD	1 Year	5 Yr p.a.
 Australian Equities						
S&P/ASX 300 Accum. Index	6,973	-6.5%	-4.5%	-2.7%	9.6%	8.7%
S&P/ASX 300 Accum. Industrials Index	10,601	-8.6%	-8.4%	-4.0%	8.5%	7.4%
S&P/ASX 300 Accum. Resources Index	5,428	2.5%	13.1%	2.5%	13.6%	13.7%
ASX Small Caps Accum. Index	3,211	-9.0%	-8.0%	-4.0%	6.7%	9.6%
 International Equities						
MSCI World Index (\$A)	4,863	-2.3%	3.0%	8.7%	26.9%	15.0%
MSCI World Index (Hedged \$A)	4,088	-5.1%	-2.9%	2.9%	18.4%	12.4%
MSCI Emerging Markets Index (\$A)	1,238	1.2%	2.2%	-5.2%	1.0%	9.9%
MSCI World ex-Aus Small Cap Index (\$A)	610	-4.5%	-2.7%	-0.8%	14.2%	11.8%
US (S&P 500 Index in USD)*	4,516	-5.3%	-2.0%	5.1%	21.6%	14.7%
US Tech (NASDAQ Index in USD)*	14,240	-9.0%	-8.1%	-1.8%	8.9%	20.5%
United Kingdom (FTSE 100 Index in GBP)*	7,464	1.1%	3.1%	6.1%	16.5%	1.0%
Japan (Nikkei 225 Index in JPY)*	27,002	-6.2%	-6.5%	-6.2%	-2.4%	7.2%
Europe (Stoxx 50 Index in EUR)*	4,175	-2.9%	-1.8%	2.7%	19.9%	5.3%
China (Shanghai Composite Index in CNY)*	3,361	-7.6%	-5.2%	-6.4%	-3.5%	1.2%
 AUD versus ...						
USD	0.70	-3.4%	-7.1%	-6.7%	-8.3%	-1.5%
JPY	80.97	-3.1%	-5.6%	-2.5%	1.3%	-1.2%
GBP	0.52	-2.8%	-4.5%	-3.7%	-6.3%	-2.9%
EUR	0.63	-2.0%	-2.9%	-0.6%	-0.6%	-2.4%
 Real Assets						
ASX 300 Listed Property Trusts Accum. Index	1,596	-9.4%	-0.9%	4.5%	19.9%	8.8%
FTSE EPRA / NAREIT Dev. Index (Hedged \$A)	1,849	-5.5%	-1.4%	3.9%	22.2%	5.8%
MSCI Australia Infrastructure	1,163	-6.7%	-0.9%	2.6%	7.2%	3.7%
FTSE Global Core Infra 50/50 Index (Hedged \$A)	2,472	-2.7%	1.4%	5.5%	15.9%	8.8%
 Oil and Commodities						
Crude Oil (US\$/bbl)	88.1	17.2%	5.5%	19.7%	68.9%	10.8%
Copper Spot (US\$/tonne)	9,578	-1.7%	-2.4%	2.4%	21.8%	9.8%
Gold Spot (US\$/ounce)	1,797	-1.4%	1.1%	1.8%	-3.3%	8.2%
 Australian Fixed Interest						
Bloomberg AusBond Composite Index	10,285	-1.0%	1.1%	-2.2%	-3.5%	3.0%
Bloomberg AusBond Government Index	10,693	-1.0%	1.4%	-2.1%	-3.5%	3.1%
Bloomberg AusBond Corporate Index	10,860	-0.6%	0.7%	-1.8%	-2.2%	3.6%
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)	2,548	-1.5%	-1.3%	-1.5%	-3.1%	2.8%
Barclay's Global Agg. Bond Index (Hedged \$A)	1,077	-1.6%	-1.3%	-1.6%	-2.6%	2.9%
 Fixed Income (yields) as at ...						
	Jan 2022	Dec 2021	Oct 2021	Jun 2021	Jan 2021	Jan 2017
Australia Bank Bill	0.01	0.02	0.01	0.01	0.01	1.61
Australia 10-Year Government Bond	1.91	1.68	2.07	1.51	1.10	2.73
US 10-Year Government Bond	1.78	1.50	1.56	1.44	1.09	2.45
UK 10-Year Government Bond	1.31	0.97	1.03	0.72	0.33	1.42
Germany 10-Year Government Bond	0.01	-0.18	-0.15	-0.20	-0.52	0.44
Japan 10-Year Government Bond	0.17	0.07	0.09	0.05	0.05	0.09

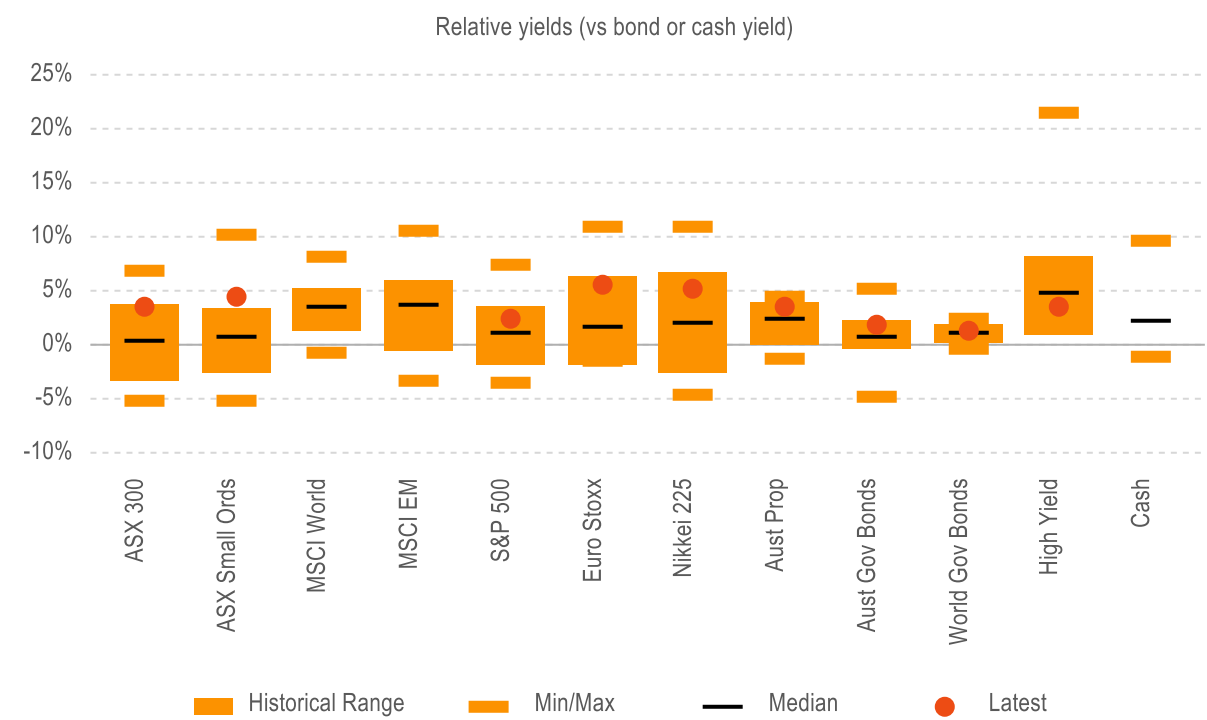
Source: Refinitiv Datastream

*Price Index

Asset class yields relative to history

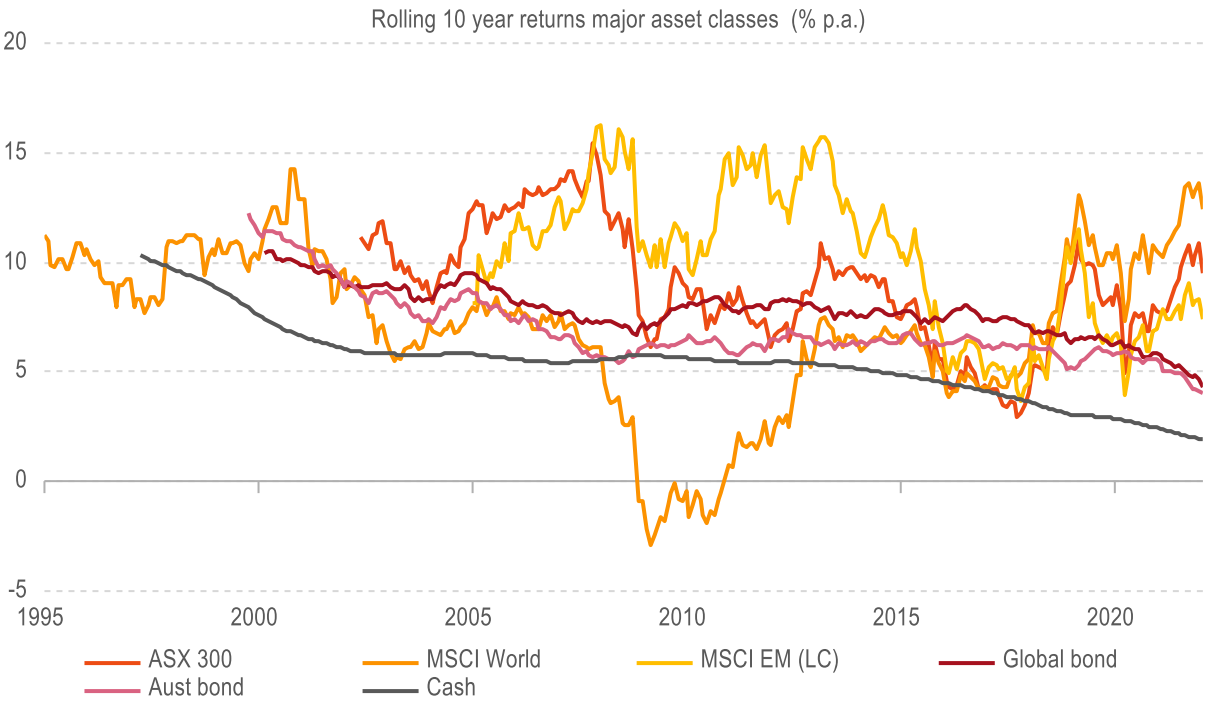


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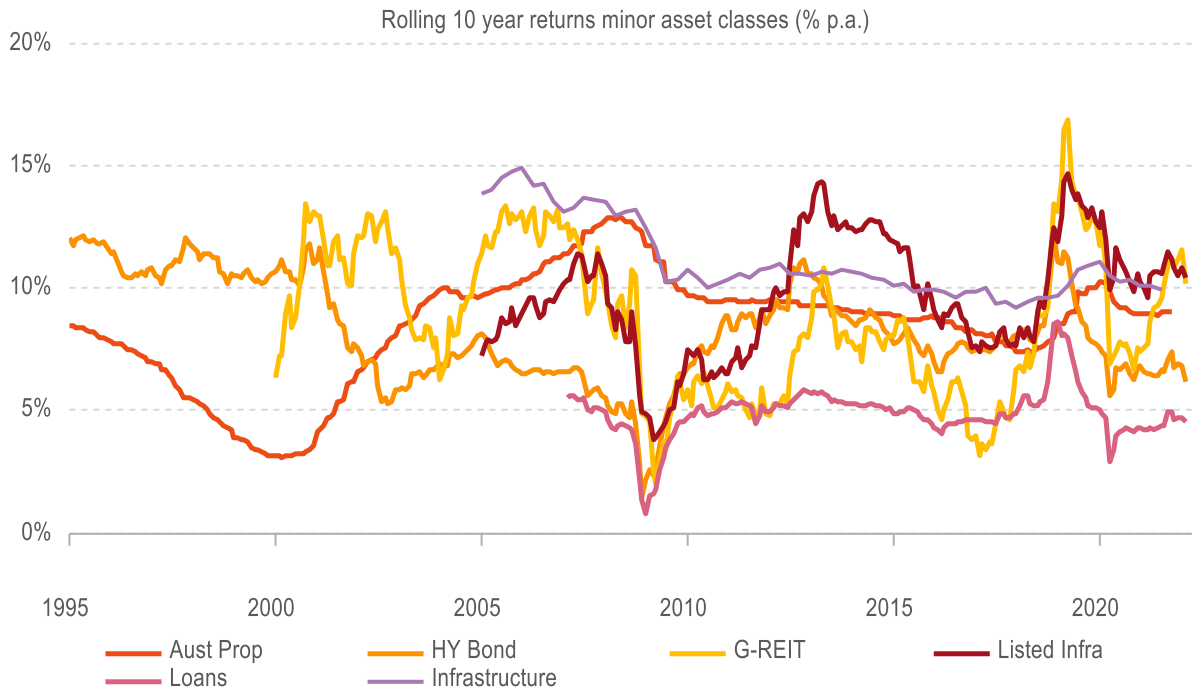


Source: Refinitiv Datastream

Asset class long-term returns

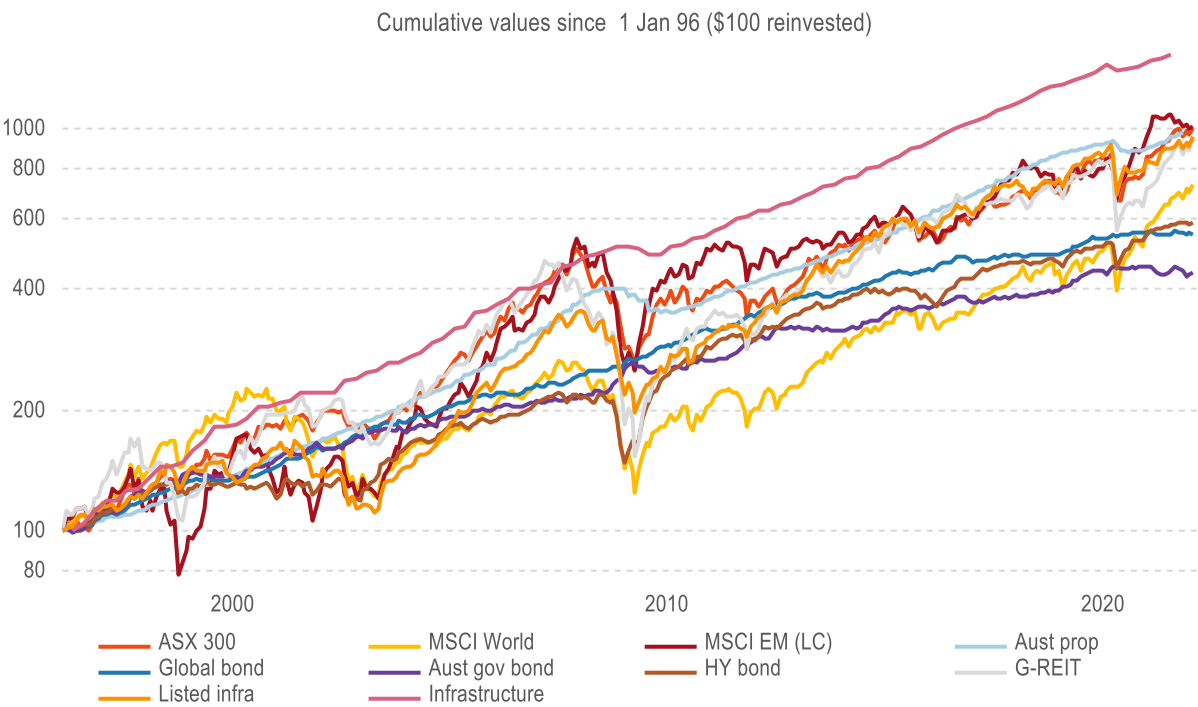


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Asset class long-term returns



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Frontier Level 17, 130 Lonsdale Street

Melbourne, Victoria 3000

Tel: +61 3 8648 4300

www.frontieradvisors.com.au

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