

Monthly Market Snapshot

June 2022

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



Market commentary

Global financial markets experienced heightened volatility over the past financial year driven by the emergence of new strains of COVID-19, the invasion of Ukraine by Russia, persistently high inflation, tightening of monetary policy worldwide and strict COVID-19 restrictions in China. While market performance during the first half of the last financial year was mainly impacted by COVID-19 related factors, market performance during the second half was predominantly impacted by the news of Russia invading Ukraine, global central banks raising interest rates and the continuation of China's zero COVID-19 policy.

Most countries gradually eased their COVID-19 restrictions over the past year as they transitioned from the pandemic phase to the endemic phase for COVID-19. Globally, economic activity broadly continued to recover as a result of this trend. Industries such as airline travel and hospitality rebounded particularly strongly amidst significant pent-up demand for these type of services as restrictions ended. Given the sudden increase in demand and subsequent shortage of staff working in these sectors, this resulted in consumers experiencing lengthy delays and significant increases in prices.

The start of 2022 saw mounting speculation of a possible invasion of Ukraine by Russia, which eventuated during the month of February 2022. This had an adverse impact on the performance of global financial markets with sanctions being imposed on Russia by advanced economies such as the United States and the European Union. As Russia is a major exporter of commodities such as oil and natural gas particularly to Europe, the sanctions led to sharp increases in global commodity prices.

In China, the ongoing zero COVID-19 policy and strict lockdowns of major cities adversely impacted the global supply chain. This, together with high commodity prices, contributed to elevated inflationary pressures for major economies globally. In an effort to combat the increase in inflation, central banks around the world (except for Japan) have been raising interest rates at a faster pace in the second half of the financial year. This has impacted equity markets negatively. In particular, stocks with high valuations and growth expectations in sectors such as Technology sold off significantly.

Across the regions, emerging market equities performed the worse over the financial year largely driven by Chinese equities due to regulatory actions across a number of sectors such as technology, property, and education, but also because of concerns over economic growth caused by the authorities' COVID-19 lockdown policies. Developed market equities also fell significantly over concerns on inflation and higher interest rates causing a recession. Australian equities also delivered a negative return over the financial year but performed better than most other regions largely due to its geographical distance from the war in Ukraine and its larger exposure to the resources sector that benefited from higher commodity prices.

Furthermore, the increase in interest rates and inflation over the last 12 months have also negatively impacted bond prices as major bond indices posted negative performance over the past year. Long term government bond yields are at their highest levels in a number of years, particularly in the US and Australia.

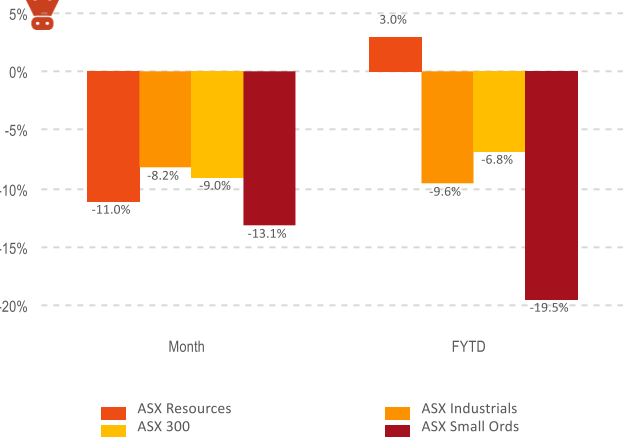
In currencies, the Australian dollar fell against the US dollar over the past year as market uncertainty and fears of a possible recession led to investors rotating capital towards safe haven assets such as the US dollar. The Australian dollar appreciated significantly against the Japanese Yen over the past year as the interest rate differentials between the two countries increased substantially amidst the Bank of Japan's divergent stance on not raising interest rates. The Australian dollar also appreciated against the Euro and British Pound over the same period.

Listed property produced significant negative performance over the year, with most of the underperformance being attributable to the increase in bond yields. Meanwhile, the performance of listed infrastructure was positive over the same period as infrastructure assets, particularly economically sensitive assets benefitted from the easing of COVID-19 related restrictions and reopening of global economies.

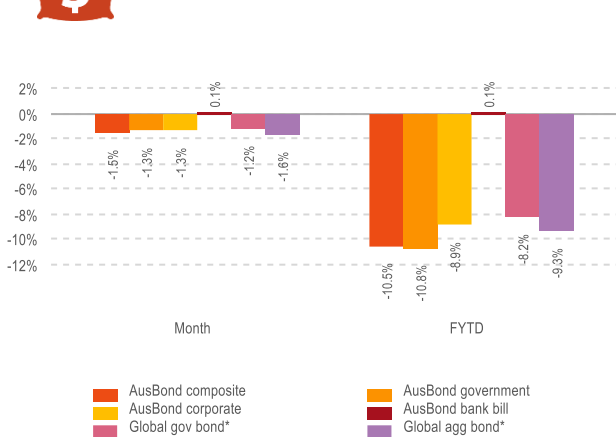
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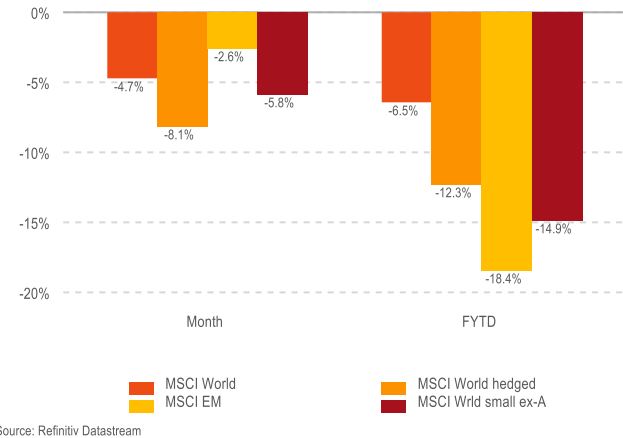
Australian equities



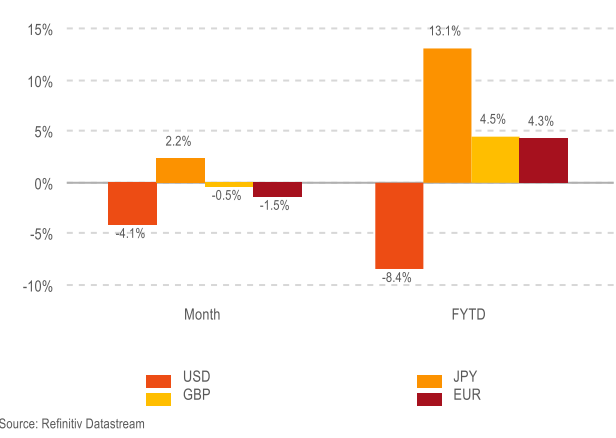
Fixed income



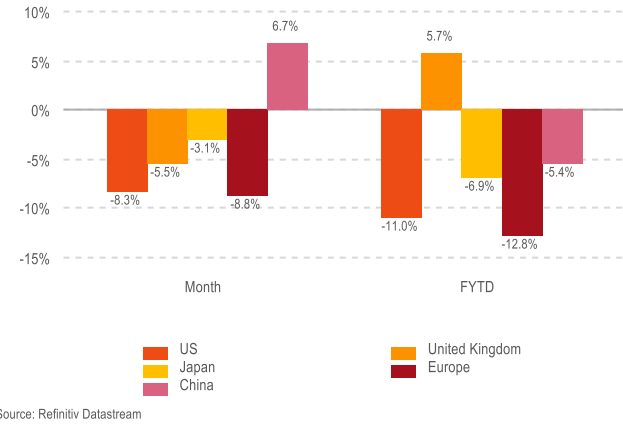
International equities (\$A)



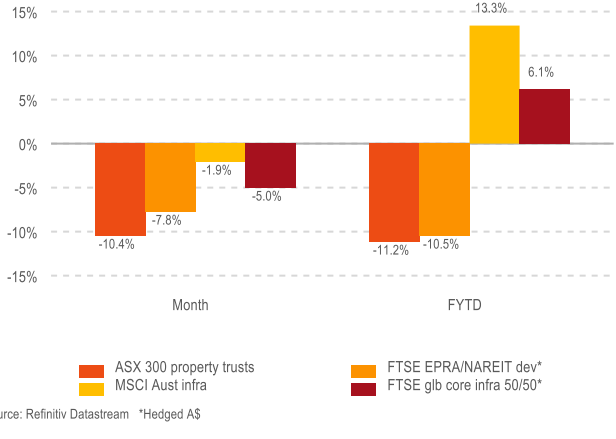
Australian dollar



International equities











Real assets



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

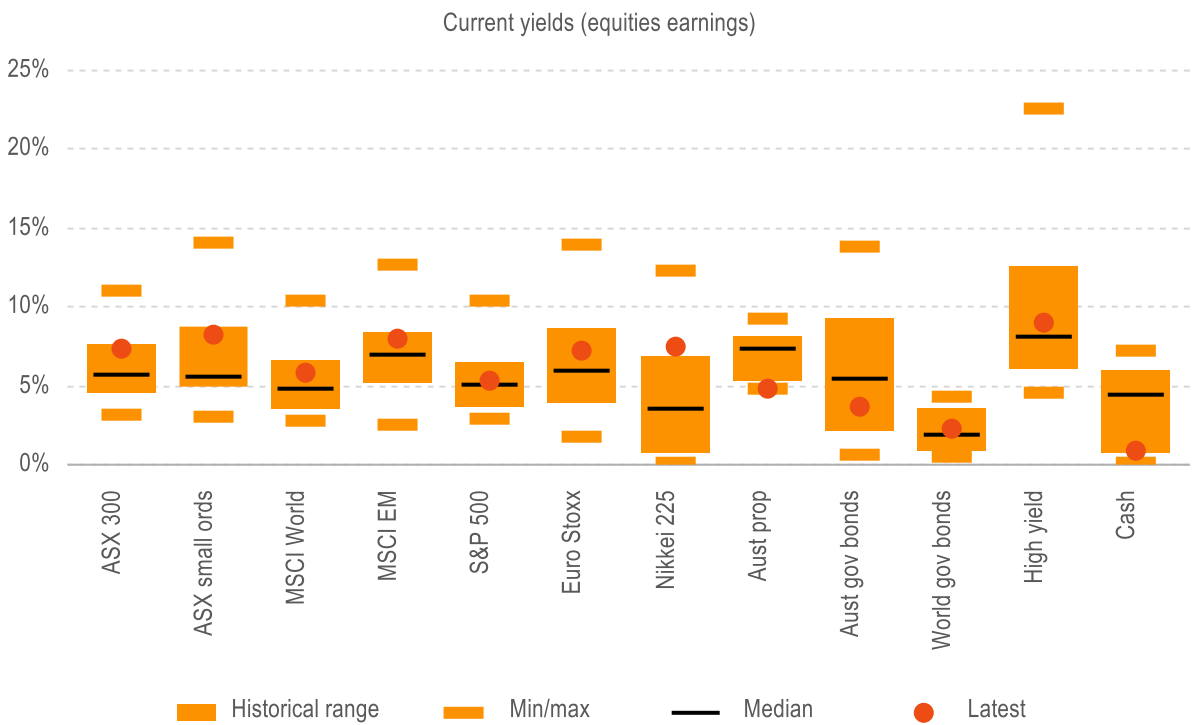
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	Index Value	Month	3 Months	FYTD	1 Year	5 Yr p.a.
 Australian Equities						
S&P/ASX 300 Accum. Index	6,544	-9.0%	-12.2%	-6.8%	-6.8%	6.9%
S&P/ASX 300 Accum. Industrials Index	9,830	-8.2%	-11.4%	-9.6%	-9.6%	5.0%
S&P/ASX 300 Accum. Resources Index	5,274	-11.0%	-14.3%	3.0%	3.0%	15.1%
ASX Small Caps Accum. Index	2,654	-13.1%	-20.4%	-19.5%	-19.5%	5.1%
 International Equities						
MSCI World Index (\$A)	4,147	-4.7%	-8.5%	-6.5%	-6.5%	10.1%
MSCI World Index (Hedged \$A)	3,483	-8.1%	-15.0%	-12.3%	-12.3%	7.3%
MSCI Emerging Markets Index (\$A)	1,051	-2.6%	-3.3%	-18.4%	-18.4%	4.4%
MSCI World ex-Aus Small Cap Index (\$A)	519	-5.8%	-9.2%	-14.9%	-14.9%	7.1%
US (S&P 500 Index in USD)*	3,785	-8.4%	-16.4%	-11.9%	-11.9%	9.3%
US Tech (NASDAQ Index in USD)*	11,029	-8.7%	-22.4%	-24.0%	-24.0%	12.4%
United Kingdom (FTSE 100 Index in GBP)*	7,169	-5.8%	-4.6%	1.9%	1.9%	-0.4%
Japan (Nikkei 225 Index in JPY)*	26,393	-3.3%	-5.1%	-8.3%	-8.3%	5.7%
Europe (Stoxx 50 Index in EUR)*	3,455	-8.8%	-11.5%	-15.0%	-15.0%	0.1%
China (Shanghai Composite Index in CNY)*	3,399	6.7%	4.5%	-5.4%	-5.4%	1.3%
 AUD versus ...						
USD	0.69	-4.1%	-7.9%	-8.4%	-8.4%	-2.2%
JPY	93.95	2.2%	2.7%	13.1%	13.1%	1.7%
GBP	0.57	-0.5%	-0.6%	4.5%	4.5%	-0.8%
EUR	0.66	-1.5%	-1.7%	4.3%	4.3%	-0.4%
 Real Assets						
ASX 300 Listed Property Trusts Accum. Index	1,328	-10.4%	-17.5%	-11.2%	-11.2%	5.0%
FTSE EPRA / NAREIT Dev. Index (Hedged \$A)	1,572	-7.8%	-15.6%	-10.5%	-10.5%	1.9%
MSCI Australia Infrastructure	1,261	-1.9%	2.9%	13.3%	13.3%	4.2%
FTSE Global Core Infra 50/50 Index (Hedged \$A)	2,447	-5.0%	-5.3%	6.1%	6.1%	6.7%
 Oil and Commodities						
Crude Oil (US\$/bbl)	107.7	-6.1%	7.4%	46.2%	46.2%	18.5%
Copper Spot (US\$/tonne)	8,254	-12.6%	-20.4%	-11.7%	-11.7%	6.9%
Gold Spot (US\$/ounce)	1,807	-2.1%	-6.9%	2.3%	2.3%	7.8%
 Australian Fixed Interest						
Bloomberg AusBond Composite Index	9,408	-1.5%	-3.8%	-10.5%	-10.5%	0.9%
Bloomberg AusBond Government Index	9,745	-1.3%	-3.8%	-10.8%	-10.8%	0.8%
Bloomberg AusBond Corporate Index	10,080	-1.3%	-3.2%	-8.9%	-8.9%	1.7%
Bloomberg AusBond Bank Bill Index	9,030	0.1%	0.1%	0.1%	0.1%	0.9%
 Global Fixed Interest						
Bloomberg Global Gov. Bond Index (Hedge \$A)	344	-1.2%	-4.1%	-8.2%	-8.2%	0.9%
Bloomberg Global Agg. Bond Index (Hedge \$A)	992	-1.6%	-4.7%	-9.3%	-9.3%	0.8%
 Fixed Income (yields) as at ...						
	Jun 2022	May 2022	Mar 2022	Jun 2021	Jun 2021	Jun 2017
Australia Bank Bill	1.14	0.55	0.01	0.01	0.01	1.61
Australia 10-Year Government Bond	3.69	3.35	2.79	1.51	1.51	2.60
US 10-Year Government Bond	2.97	2.84	2.32	1.44	1.44	2.30
UK 10-Year Government Bond	2.24	2.10	1.61	0.72	0.72	1.26
Germany 10-Year Government Bond	1.37	1.13	0.55	-0.20	-0.20	0.47
Japan 10-Year Government Bond	0.23	0.24	0.21	0.05	0.05	0.08

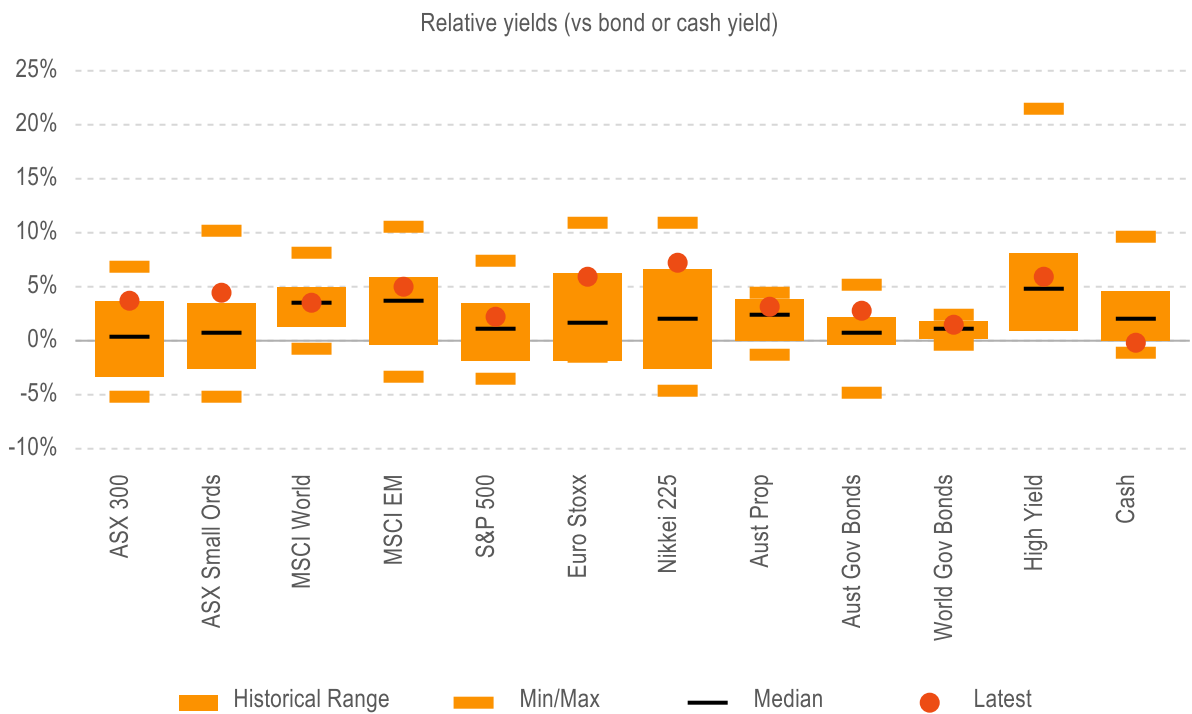
Source: Refinitiv Datastream

*Price Index

Asset class yields relative to history

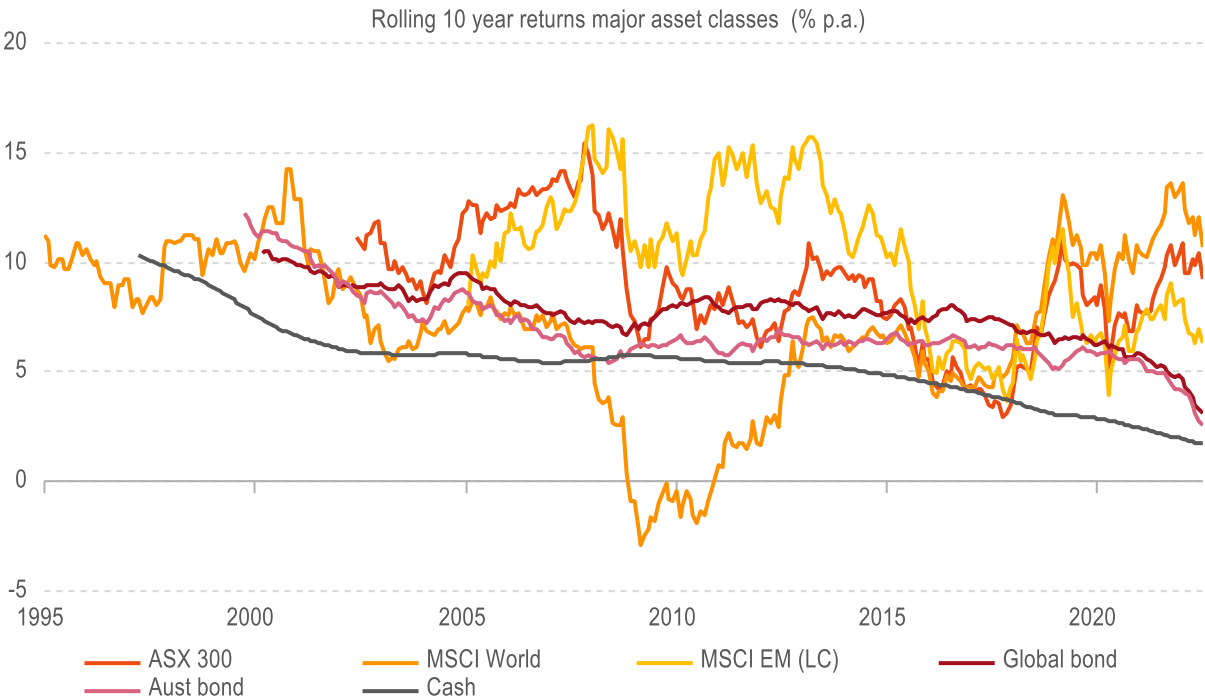


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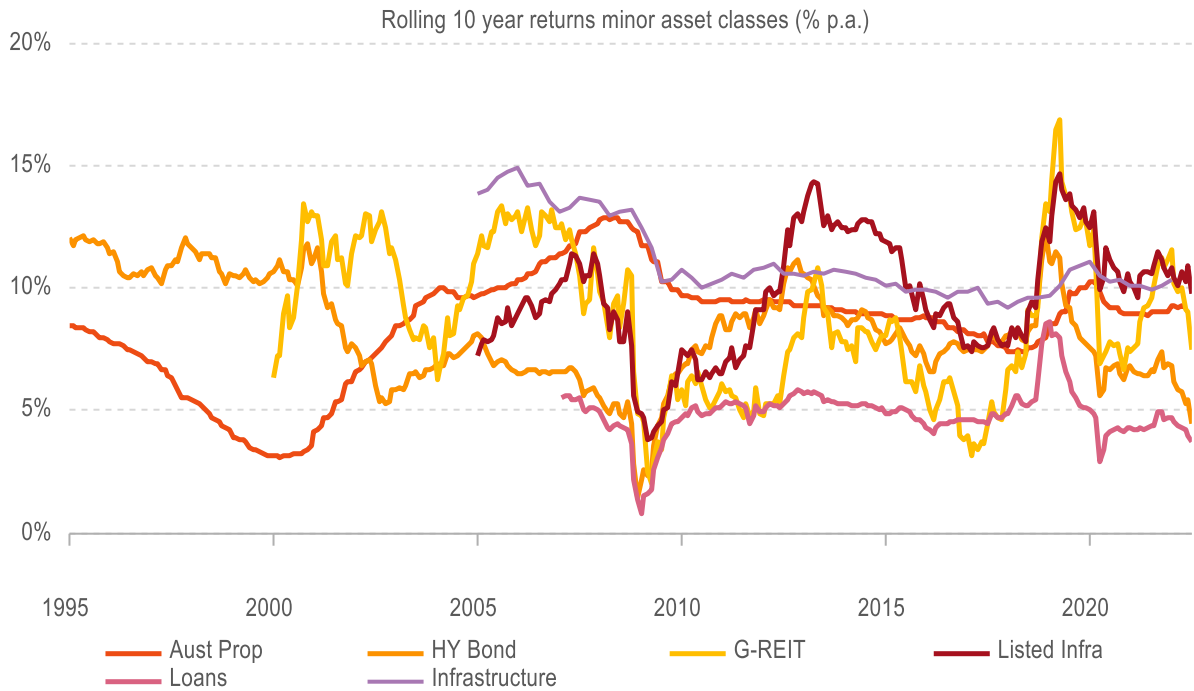


Source: Refinitiv Datastream

Asset class long-term returns

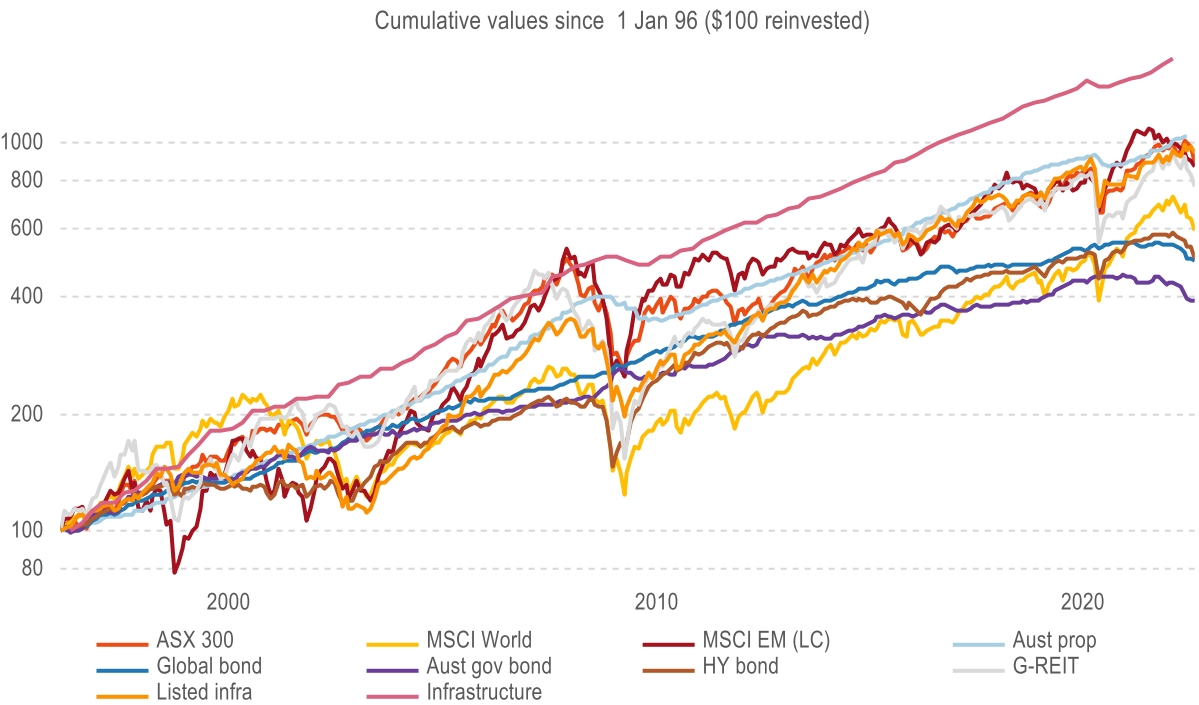


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Asset class long-term returns



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