

# Monthly Market Snapshot

June 2023

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

# Market commentary

Global stocks delivered positive returns in June, supported by resilient economic growth and improved market sentiment.

US equities performed well throughout the month, continuing the strong rally over recent months. The US Federal Reserve keeping interest rates unchanged supported equity valuations. The VIX equity market volatility index fell to its lowest level since before the COVID-19 pandemic. However, it is just a few large technology firms, with upbeat earnings expectations, that are carrying the rally.

A revised GDP growth report revealing a technical recession in the Euro area was negative for European stocks, but the index rebounded, closing the month with moderate gains, following improved industrial production data.

Australian equities returned a small positive return in June. Resources stocks outperformed with a strong return, driven by a spike in the iron ore price, while the Energy sector had mixed performance. The oil price experienced fluctuations, supported by increased demand but also impacted by speculation surrounding a potential US-Iranian nuclear deal versus OPEC announcements of oil production cuts. A large pharmaceutical stock, CSL, took a hit after it announced a large loss from currency movements.

Government bond yields increased in June, leading to a small negative return for the global government bond index. The US Federal Reserve paused interest rate rises but pointed to more hikes on the way, and the market digested approximately \$1 trillion in new Treasury issuances following the passage of the debt ceiling legislation. The Bank of England, the European Central Bank, the RBA and other central banks raised rates, and gave indications of additional future tightening. Australian government bond yields experienced larger increases, resulting in a larger negative return for the Australian bond index in June.

The Australian dollar appreciated strongly in June, supported by the RBA increasing interest rates compared to the steady stance of the US Fed, as well as strength in the iron ore price.

The financial year was characterised by shifting financial markets. Early in the financial year, there was instability due to rising inflation, central bank actions, geopolitical tensions, and concerns about a possible global recession. However, economic activity remained resilient and later in the year global markets rallied on the expectation that central banks were approaching the end of rate hikes as inflation moderated, a mild winter in Europe defusing the energy crisis, and China's reopening from COVID restrictions.

Concerns in the banking sector, particularly the collapse of Silicon Valley Bank and Credit Suisse, caused volatility, but overall global equities produced very strong returns over the financial year. The stock market rally has been particularly driven by the performance of large technology stocks linked to advancements in artificial intelligence.

In Australia, stocks fluctuated throughout the year as different factors impacted the market. Resources stocks produced very strong returns but commodity prices weakened over the year.

China's economy encountered difficulties in the reopening recovery and from the ongoing slump in the property market. Chinese equities produced a negative return for the financial year, contributing to a moderate positive return overall for emerging markets.

Global listed property and infrastructure delivered negative returns for the financial year, as bond yields rose, while Australian listed property and infrastructure had moderate positive returns.

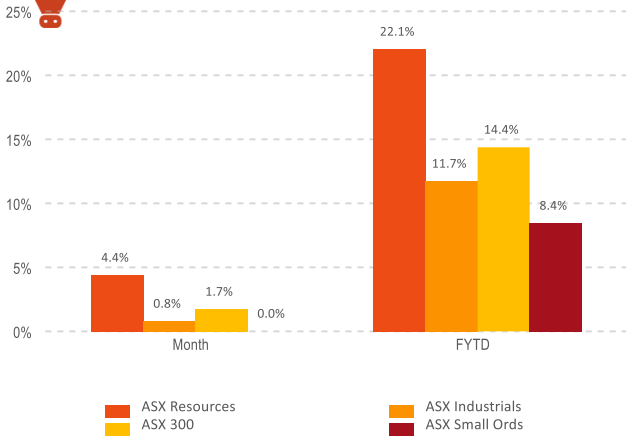
To combat inflation, central banks raised interest rates significantly, which added to instability in bond markets. Bond yields increased over the year. The Australian bond index was a small positive return compared to negative returns from global bonds, which started the financial year at lower yields.

Central bank policy also contributed to volatility in currency markets. The Australian dollar depreciated as commodity prices fell and other central banks raised rates more, while the Japanese Yen weakened, with the Bank of Japan retaining very supportive monetary policy.

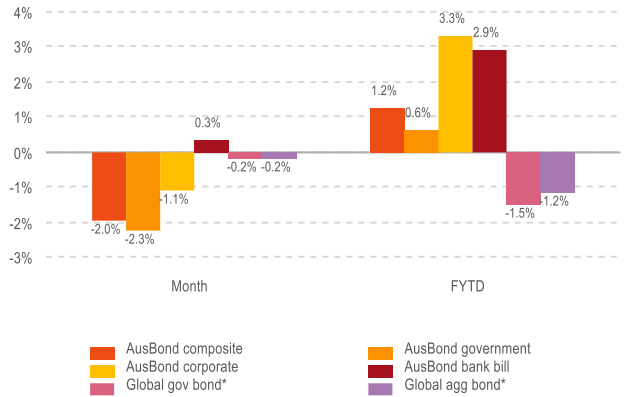
# June 2023



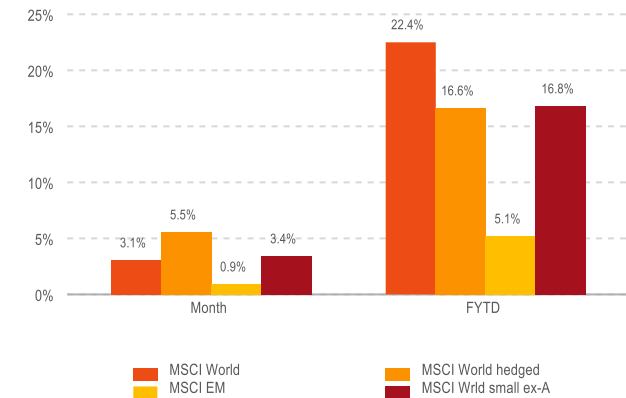
## Australian equities



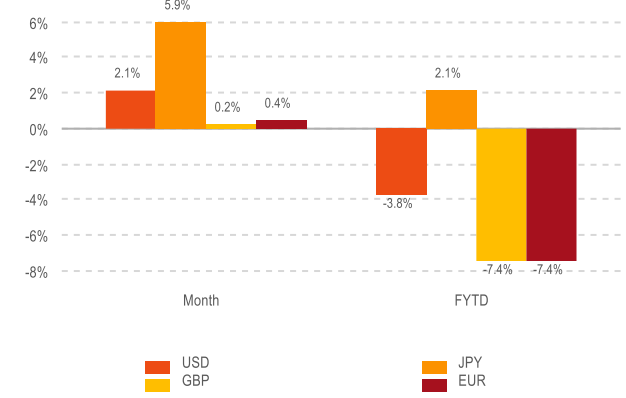
## Fixed income



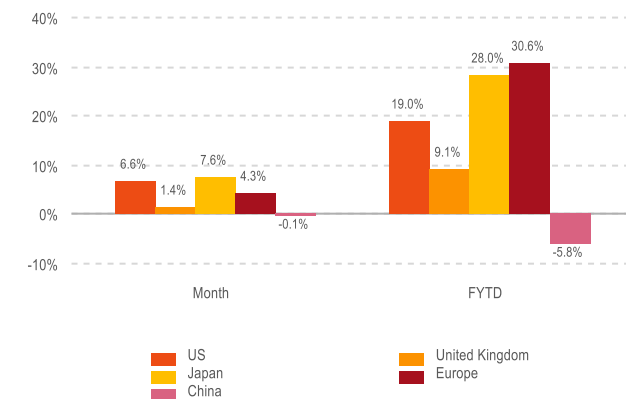
## International equities (\$A)



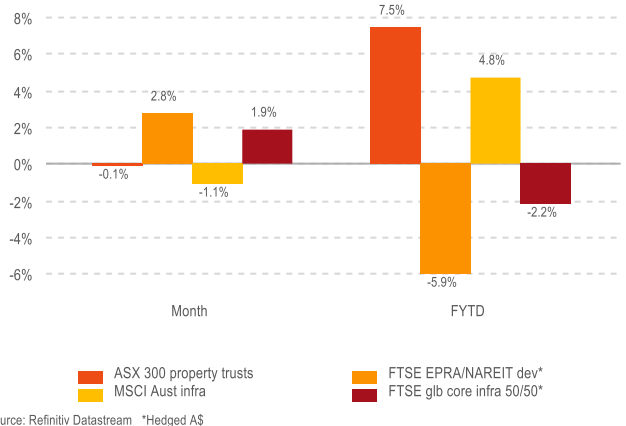
## Australian dollar



## International equities











## Real assets



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

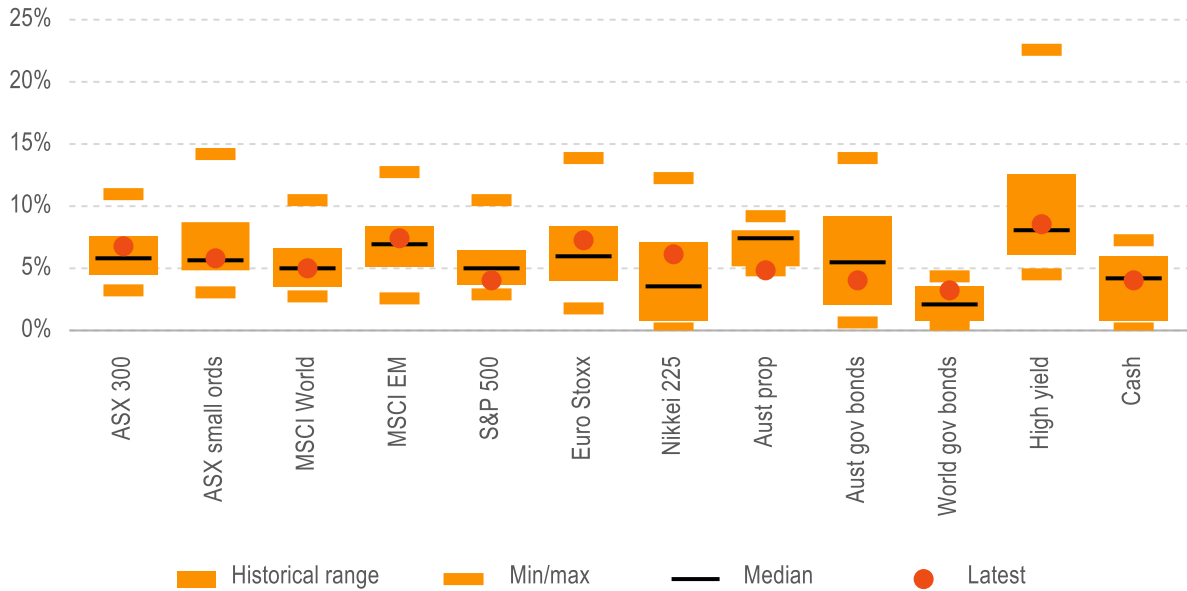
# June 2023

|  | Index Value                                     | Month           | 3 Months        | FYTD            | 1 Year          | 5 Yr p.a.       |                 |
|--|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b>Australian Equities</b>   |   |                 |                 |                 |                 |                 |                 |
|    | S&P/ASX 300 Accum. Index                        | 7,157           | 1.7%            | 1.0%            | 14.4%           | 7.1%            |                 |
|  | S&P/ASX 300 Accum. Industrials Index            | 10,587          | 0.8%            | 2.2%            | 11.7%           | 5.7%            |                 |
|  | S&P/ASX 300 Accum. Resources Index              | 6,004           | 4.4%            | -1.9%           | 22.1%           | 11.9%           |                 |
|  | ASX Small Caps Accum. Index                     | 2,794           | 0.0%            | -0.5%           | 8.4%            | 2.3%            |                 |
| <b>International Equities</b>  |   |                 |                 |                 |                 |                 |                 |
|    | MSCI World Index (\$A)                          | 4,991           | 3.1%            | 7.5%            | 22.4%           | 11.4%           |                 |
|  | MSCI World Index (Hedged \$A)                   | 4,058           | 5.5%            | 6.9%            | 16.5%           | 8.3%            |                 |
|  | MSCI Emerging Markets Index (\$A)               | 1,073           | 0.9%            | 1.5%            | 5.1%            | 3.1%            |                 |
|  | MSCI World ex-Aus Small Cap Index (\$A)         | 597             | 3.4%            | 3.9%            | 16.8%           | 6.7%            |                 |
|  | US (S&P 500 Index in USD)*                      | 4,450           | 6.5%            | 8.3%            | 17.6%           | 10.4%           |                 |
|  | US Tech (NASDAQ Index in USD)*                  | 13,788          | 6.6%            | 12.8%           | 25.0%           | 12.9%           |                 |
|  | United Kingdom (FTSE 100 Index in GBP)*         | 7,532           | 1.1%            | -1.3%           | 5.1%            | -0.3%           |                 |
|  | Japan (Nikkei 225 Index in JPY)*                | 33,189          | 7.5%            | 18.4%           | 25.7%           | 8.3%            |                 |
|  | Europe (Stoxx 50 Index in EUR)*                 | 4,399           | 4.3%            | 1.9%            | 27.3%           | 5.3%            |                 |
|  | China (Shanghai Composite Index in CNY)*        | 3,202           | -0.1%           | -2.2%           | -5.8%           | 2.4%            |                 |
| <b>AUD versus ...</b>  |   |                 |                 |                 |                 |                 |                 |
|    | USD   | 0.66            | 2.1%            | -1.2%           | -3.8%           | -2.1%           |                 |
|  | JPY   | 95.92           | 5.9%            | 7.7%            | 2.1%            | 3.2%            |                 |
|  | GBP   | 0.52            | 0.2%            | -3.0%           | -7.4%           | -1.4%           |                 |
|  | EUR   | 0.61            | 0.4%            | -0.9%           | -7.4%           | -0.8%           |                 |
| <b>Real Assets</b>   |   |                 |                 |                 |                 |                 |                 |
|   | ASX 300 Listed Property Trusts Accum. Index     | 1,361           | -0.1%           | 3.2%            | 7.5%            | 3.9%            |                 |
|  | FTSE EPRA / NAREIT Dev. Index (Hedged \$A)      | 1,432           | 2.8%            | 0.9%            | -5.9%           | -0.6%           |                 |
|  | MSCI Australia Infrastructure                   | 1,271           | -1.1%           | -1.4%           | 4.8%            | 6.7%            |                 |
|  | FTSE Global Core Infra 50/50 Index (Hedged \$A) | 2,314           | 1.9%            | -0.7%           | -2.2%           | 5.3%            |                 |
| <b>Oil and Commodities</b>   |   |                 |                 |                 |                 |                 |                 |
|  | Crude Oil (US\$/bbl)                            | 70.6            | 3.7%            | -6.6%           | -34.4%          | -1.0%           |                 |
|  | Copper Spot (US\$/tonne)                        | 8,322           | 3.1%            | -7.6%           | 0.8%            | 4.7%            |                 |
|  | Gold Spot (US\$/ounce)                          | 1,916           | -2.8%           | -3.1%           | 6.0%            | 8.9%            |                 |
| <b>Australian Fixed Interest</b>   |   |                 |                 |                 |                 |                 |                 |
|  | Bloomberg AusBond Composite Index               | 9,525           | -2.0%           | -2.9%           | 1.2%            | 0.5%            |                 |
|  | Bloomberg AusBond Government Index              | 9,803           | -2.3%           | -3.6%           | 0.6%            | 0.4%            |                 |
|  | Bloomberg AusBond Corporate Index               | 10,415          | -1.1%           | -1.1%           | 3.3%            | 1.6%            |                 |
|  | Bloomberg AusBond Bank Bill Index               | 9,291           | 0.3%            | 0.9%            | 2.9%            | 1.2%            |                 |
| <b>Global Fixed Interest</b>   |   |                 |                 |                 |                 |                 |                 |
|  | Bloomberg Global Gov. Bond Index (Hedge \$A)    | 339             | -0.2%           | -0.3%           | -1.5%           | 0.1%            |                 |
|  | Bloomberg Global Agg. Bond Index (Hedge \$A)    | 981             | -0.2%           | -0.3%           | -1.2%           | 0.2%            |                 |
| <b>Fixed Income (yields) as at ...</b>   |   |                 |                 |                 |                 |                 |                 |
|  |   | <b>Jun 2023</b> | <b>May 2023</b> | <b>Mar 2023</b> | <b>Jun 2022</b> | <b>Jun 2022</b> | <b>Jun 2018</b> |
|  | Australia Bank Bill                             | 4.14            | 3.84            | 3.63            | 1.14            | 1.14            | 2.02            |
|  | Australia 10-Year Government Bond               | 4.00            | 3.60            | 3.31            | 3.69            | 3.69            | 2.66            |
|  | US 10-Year Government Bond                      | 3.81            | 3.63            | 3.48            | 2.97            | 2.97            | 2.85            |
|  | UK 10-Year Government Bond                      | 4.39            | 4.18            | 3.49            | 2.24            | 2.24            | 1.28            |
|  | Germany 10-Year Government Bond                 | 2.39            | 2.27            | 2.31            | 1.37            | 1.37            | 0.31            |
|  | Japan 10-Year Government Bond                   | 0.40            | 0.43            | 0.35            | 0.23            | 0.23            | 0.03            |

\*Price Index

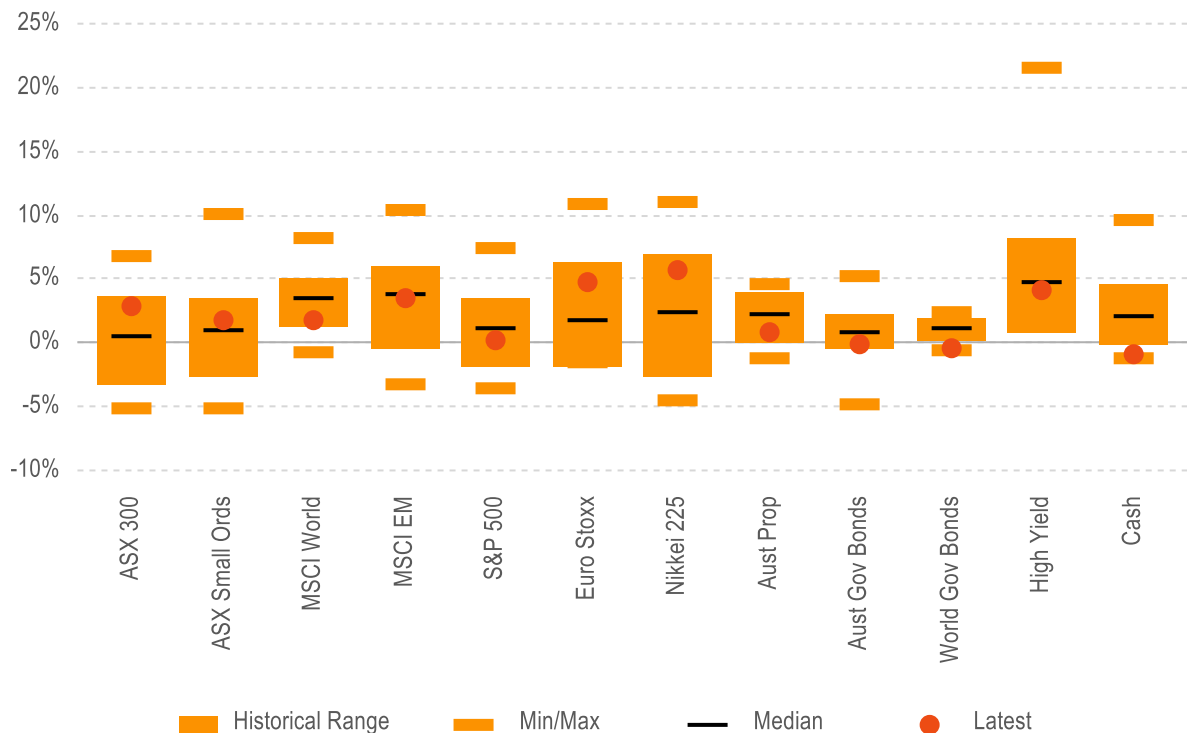
# Asset class yields relative to history

Current yields (equities earnings)



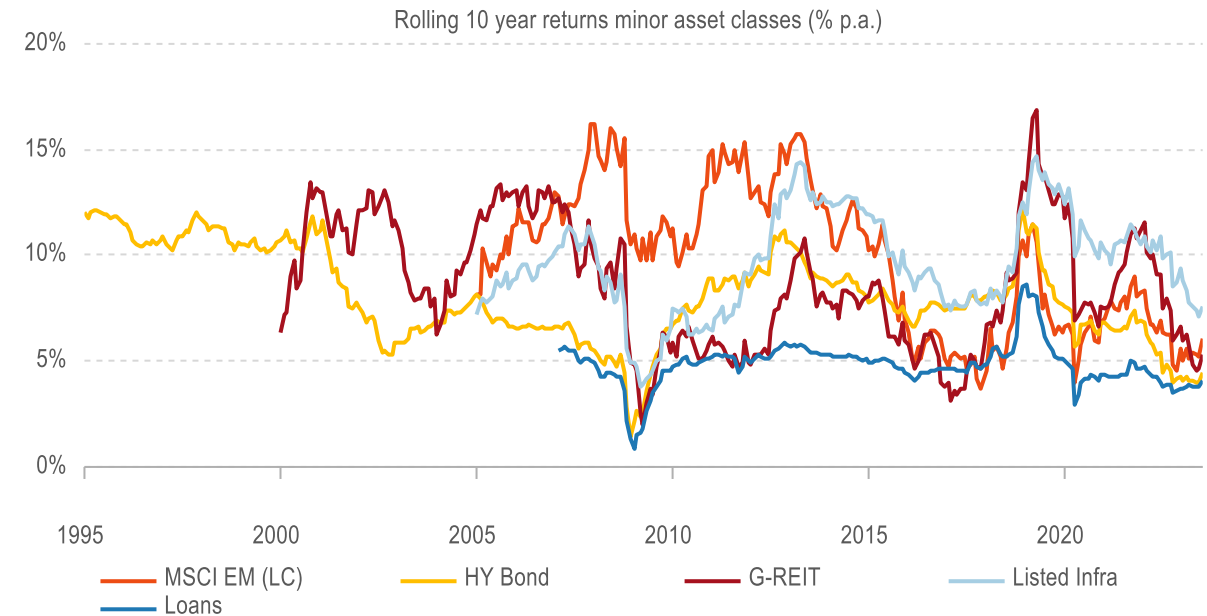
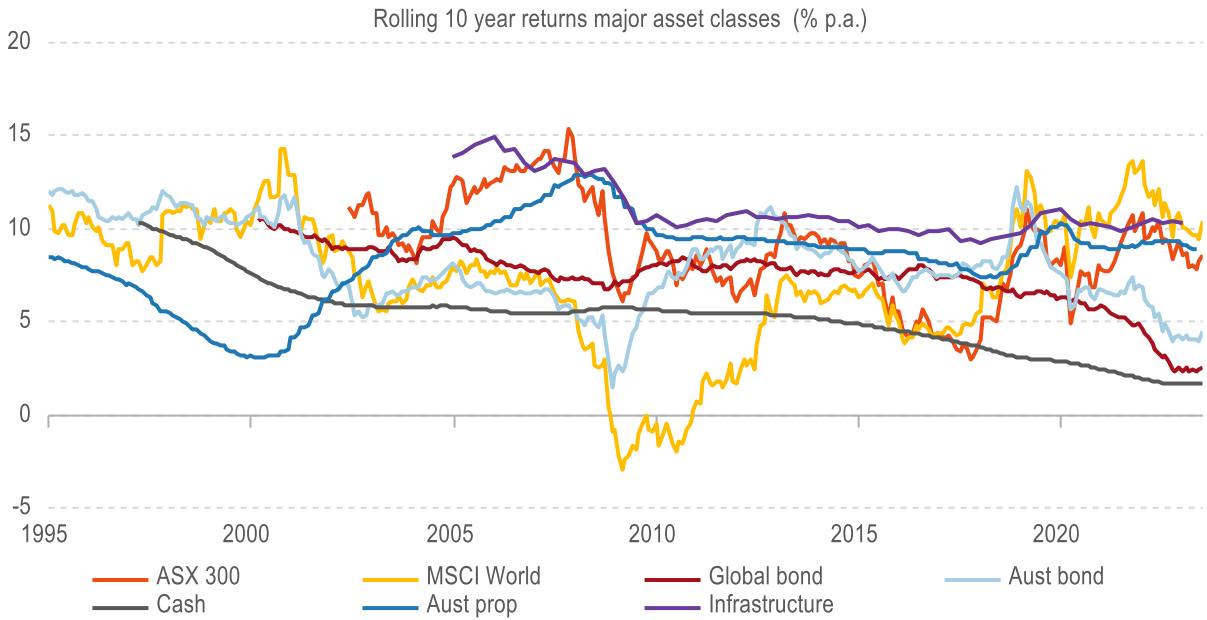
Source: Refinitiv Datastream

Relative yields (vs bond or cash yield)

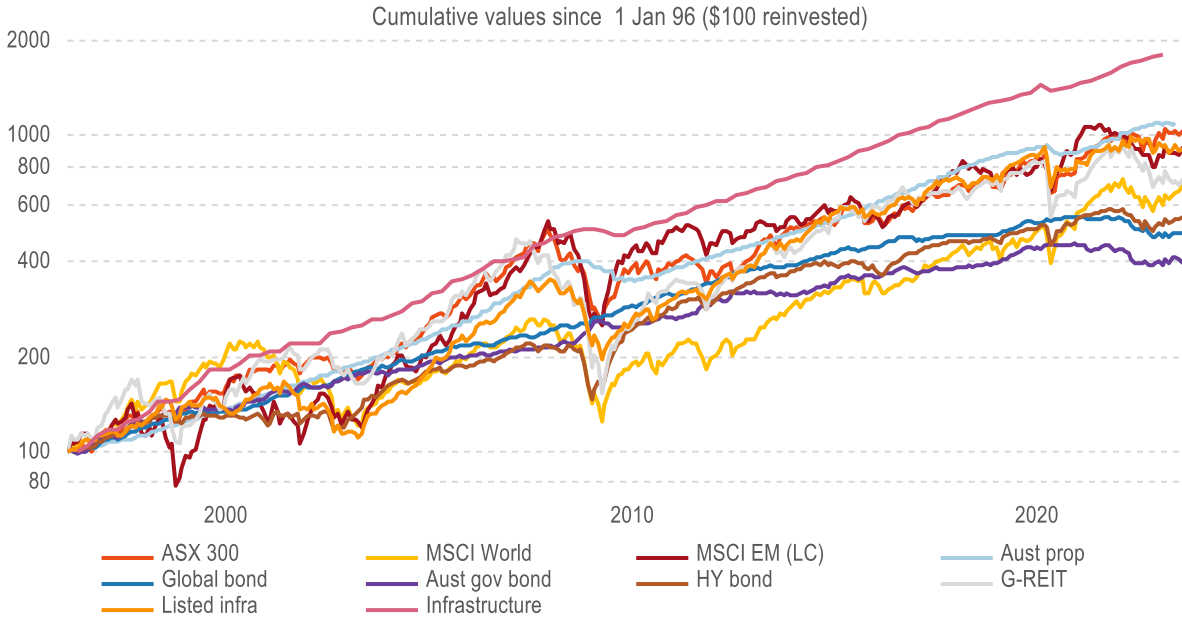


Source: Refinitiv Datastream

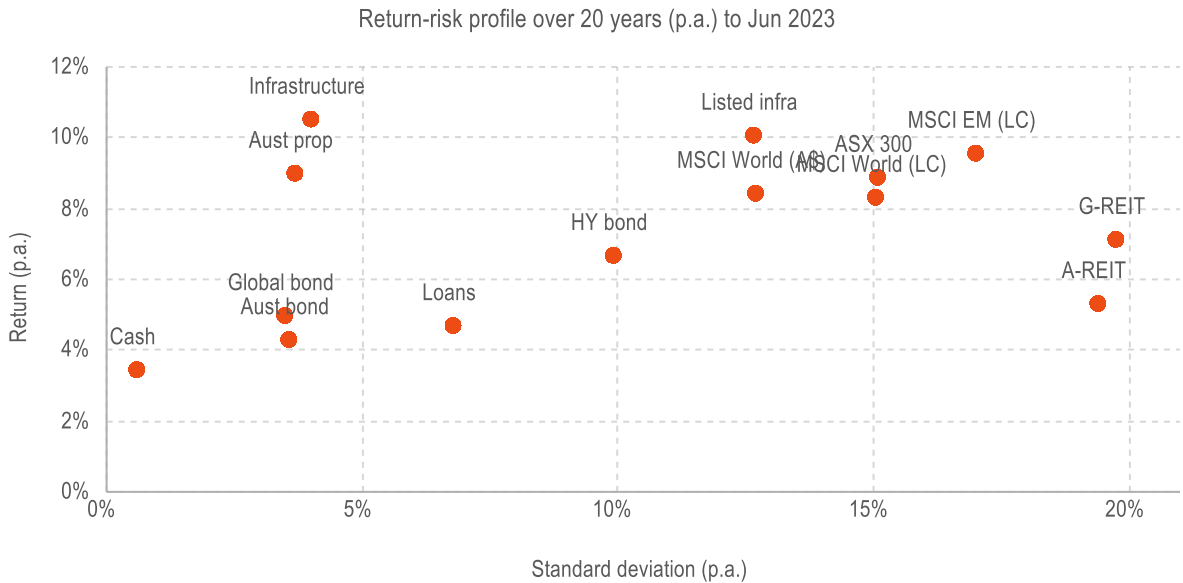
# Asset class long-term returns



# Asset class long-term returns



Source: Refinitiv Datastream



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