

Monthly Market Snapshot

September 2021

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



Market commentary

A key item in financial markets in the month, was the statement from the US Federal Reserve at its Federal Open Market Committee meeting. The Fed announced that it would likely soon start tapering its quantitative easing program by moderating its pace of asset purchasing and concluding it in around the middle of next year.

In response to the Fed announcement, bond yields increased meaningfully, and equity markets were generally negative in September, although still positive over the quarter.

Another item receiving a lot of attention in the US was the approaching government debt limit ceiling and concerns of potential government shut down and Treasury default. Although historically debt ceiling issues are ultimately addressed the risk also weighed on US equities in the month.

In Japan, Prime Minister Yoshihide Suga, announced his resignation as leader, to be replaced by Fumio Kishida, before elections in November. Japanese equities were an outlier in the month with a positive return in September, boosted by the hopes of further stimulus and the economy rebounding as vaccination rates increased and COVID-19 new cases fell.

In Europe, the federal election in Germany in late September was close, with uncertainty on which parties would form Government and who would replace Angela Merkel as chancellor.

Australian equities were also negative in September, particularly Resources stocks as the iron ore price continued to fall precipitously. Conversely, the oil price continued to increase strongly, and the coal price has increased extraordinarily sharply in recent months.

Chinese equities were more stable in September after falling materially in previous months.

The Bank of England, had already started tapering its quantitative easing and indicated during the month that interest rates could be increased soon.

The European Central Bank (ECB) announced a reduction in the pace of its asset purchases but advised that reducing purchases down to zero would not occur in the near-term.

In contrast, in response to the latest COVID-19 spread, lockdowns and economic contraction, the RBA announced it would extend its bond purchase program until at least February 2022.

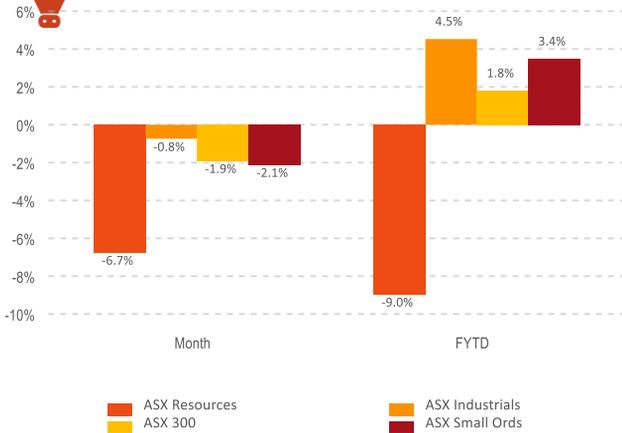
With bond yields rising, fixed interest returns were negative in September, compared to an ongoing near zero return from cash (bank bills).

In response to the Fed announcing its tapering compared to the RBA extending its bond purchasing program, as well as the falling iron ore price, the USD strengthened against the AUD in September. This provided some moderation of the negative returns in equities for unhedged returns.

September 2021



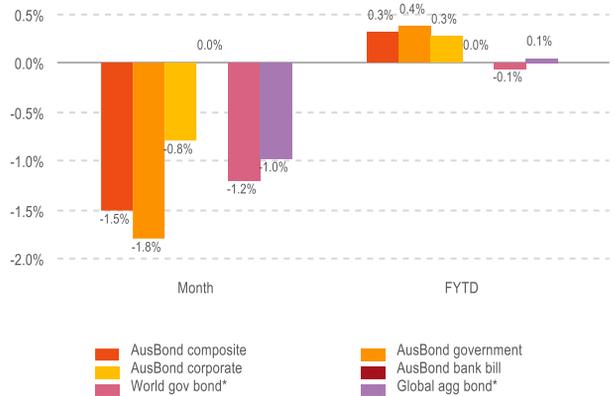
Australian equities



Source: Refinitiv Datastream



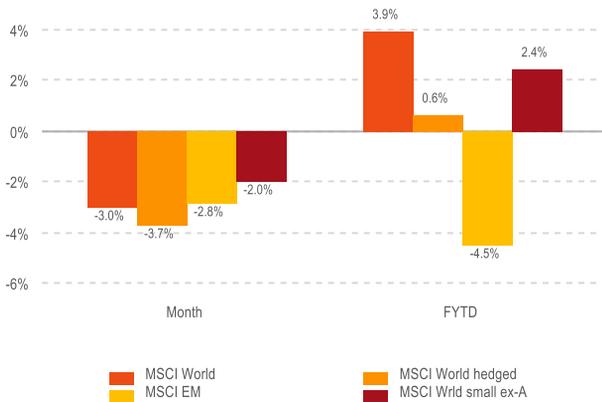
Fixed income



Source: Refinitiv Datastream



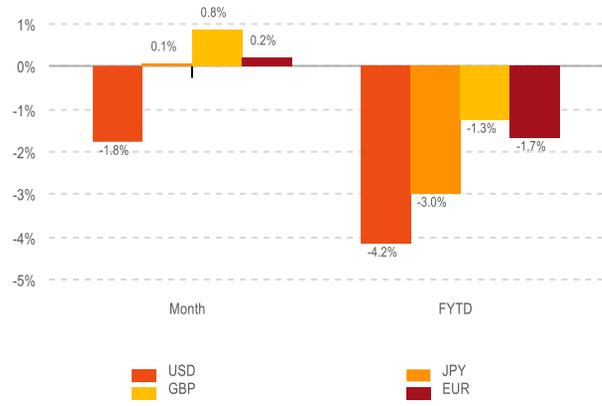
International equities (\$)



Source: Refinitiv Datastream



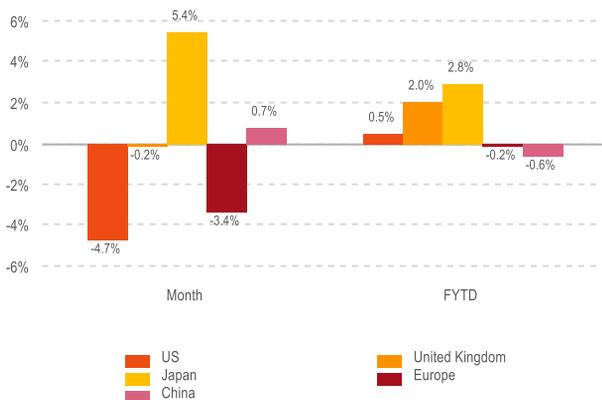
Australian dollar



Source: Refinitiv Datastream



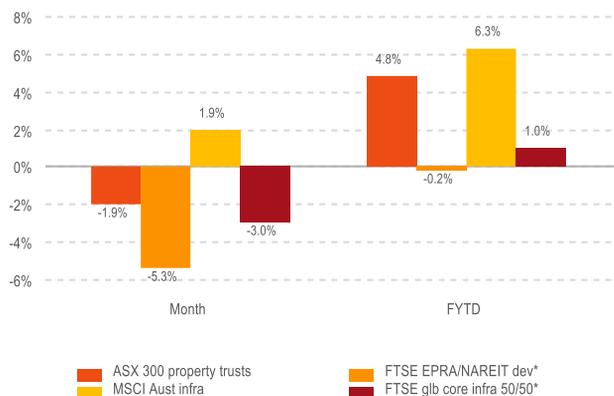
International equities



Source: Refinitiv Datastream



Real assets



Source: Refinitiv Datastream *Hedged A\$

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

September 2021

	Index Value	Month	3 Months	FYTD	1 Year	5 Yr p.a.	
Australian Equities							
	S&P/ASX 300 Accum. Index	7,333	-1.9%	1.8%	1.8%	30.9%	10.5%
	S&P/ASX 300 Accum. Industrials Index	11,621	-0.8%	4.5%	4.5%	33.8%	9.8%
	S&P/ASX 300 Accum. Resources Index	4,820	-6.7%	-9.0%	-9.0%	18.9%	13.9%
	ASX Small Caps Accum. Index	3,473	-2.1%	3.4%	3.4%	30.4%	10.2%
International Equities							
	MSCI World Index (\$A)	4,662	-3.0%	3.9%	3.9%	27.8%	15.1%
	MSCI World Index (Hedged \$A)	3,997	-3.7%	0.6%	0.6%	28.3%	13.4%
	MSCI Emerging Markets Index (\$A)	1,252	-2.8%	-4.5%	-4.5%	17.3%	10.5%
	MSCI World ex-Aus Small Cap Index (\$A)	632	-2.0%	2.4%	2.4%	39.4%	13.8%
	US (S&P 500 Index in USD)*	4,308	-4.8%	0.2%	0.2%	28.1%	14.7%
	US Tech (NASDAQ Index in USD)*	14,449	-5.3%	-0.4%	-0.4%	29.4%	22.2%
	United Kingdom (FTSE 100 Index in GBP)*	7,086	-0.5%	0.7%	0.7%	20.8%	0.5%
	Japan (Nikkei 225 Index in JPY)*	29,453	4.9%	2.3%	2.3%	27.0%	12.4%
	Europe (Stoxx 50 Index in EUR)*	4,048	-3.5%	-0.4%	-0.4%	26.8%	6.2%
	China (Shanghai Composite Index in CNY)*	3,568	0.7%	-0.6%	-0.6%	10.9%	3.5%
AUD versus ...							
	USD	0.72	-1.8%	-4.2%	-4.2%	1.4%	-1.1%
	JPY	80.60	0.1%	-3.0%	-3.0%	7.5%	0.9%
	GBP	0.54	0.8%	-1.3%	-1.3%	-3.2%	-1.9%
	EUR	0.62	0.2%	-1.7%	-1.7%	2.6%	-1.8%
Real Assets							
	ASX 300 Listed Property Trusts Accum. Index	1,618	-1.9%	4.8%	4.8%	30.7%	7.7%
	FTSE EPRA / NAREIT Dev. Index (Hedged \$A)	1,787	-5.3%	-0.2%	-0.2%	29.1%	4.4%
	MSCI Australia Infrastructure	1,212	1.9%	6.3%	6.3%	7.3%	3.3%
	FTSE Global Core Infra 50/50 Index (Hedged \$A)	2,384	-3.0%	1.0%	1.0%	15.7%	7.8%
Oil and Commodities							
	Crude Oil (US\$/bbl)	75.2	9.6%	2.1%	2.1%	87.6%	9.3%
	Copper Spot (US\$/tonne)	8,945	-6.1%	-4.4%	-4.4%	34.1%	13.0%
	Gold Spot (US\$/ounce)	1,761	-2.5%	-0.3%	-0.3%	-7.3%	5.9%
Australian Fixed Interest							
	Bloomberg AusBond Composite Index	10,545	-1.5%	0.3%	0.3%	-1.5%	3.1%
	Bloomberg AusBond Government Index	10,964	-1.8%	0.4%	0.4%	-2.3%	2.9%
	Bloomberg AusBond Corporate Index	11,094	-0.8%	0.3%	0.3%	1.3%	3.9%
	Bloomberg AusBond Bank Bill Index	9,022	0.0%	0.0%	0.0%	0.0%	1.2%
Global Fixed Interest							
	FTSE WGBI ex-Aus (Hedged \$A)	2,584	-1.2%	-0.1%	-0.1%	-2.3%	2.5%
	Barclay's Global Agg. Bond Index (Hedged \$A)	1,095	-1.0%	0.1%	0.1%	-0.8%	2.7%
Fixed Income (yields) as at ...							
		Sep 2021	Aug 2021	Jun 2021	Jun 2021	Sep 2020	Sep 2016
	Australia Bank Bill	0.01	0.01	0.01	0.01	0.09	1.61
	Australia 10-Year Government Bond	1.49	1.16	1.51	1.51	0.85	1.96
	US 10-Year Government Bond	1.53	1.30	1.44	1.44	0.68	1.61
	UK 10-Year Government Bond	1.02	0.62	0.72	0.72	0.23	0.75
	Germany 10-Year Government Bond	-0.19	-0.38	-0.20	-0.20	-0.52	-0.12
	Japan 10-Year Government Bond	0.06	0.02	0.05	0.05	0.02	-0.08

Source: Refinitiv Datastream

*Price Index

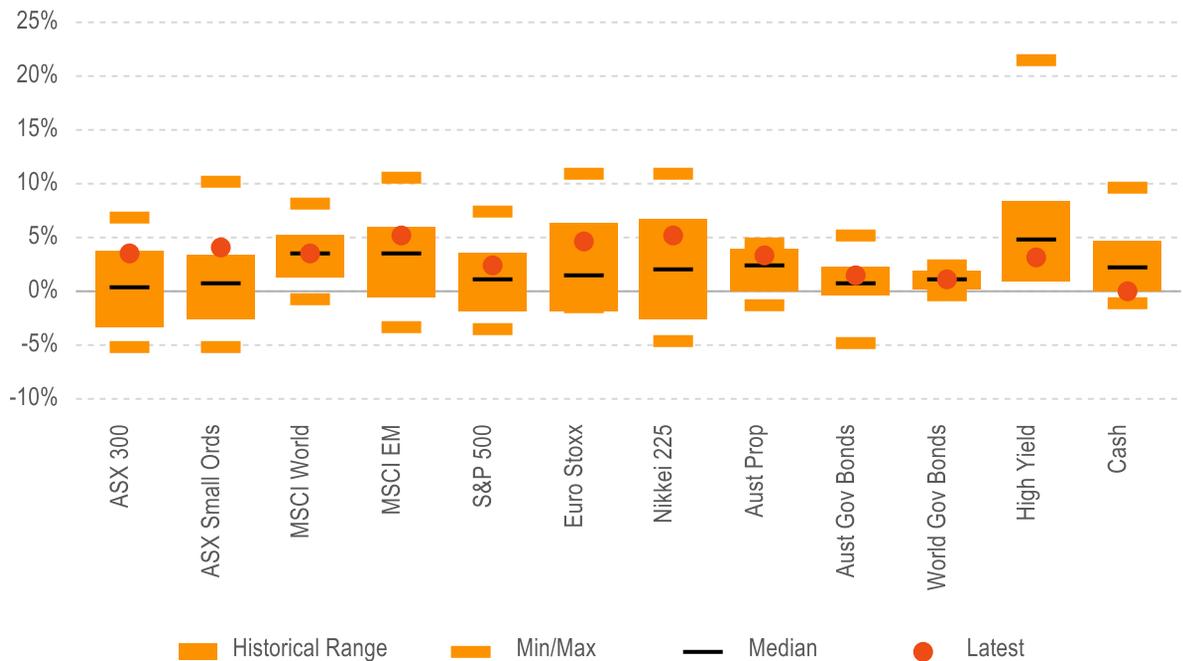
Asset class yields relative to history

Current yields (equities earnings)



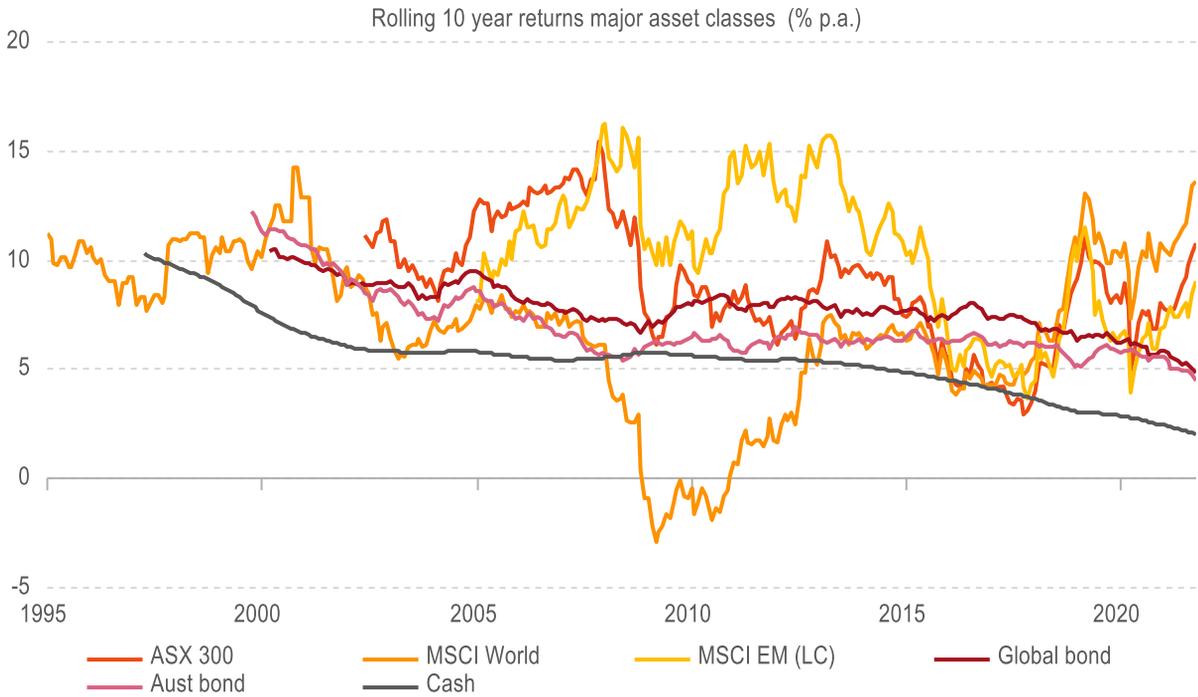
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Relative yields (vs bond or cash yield)

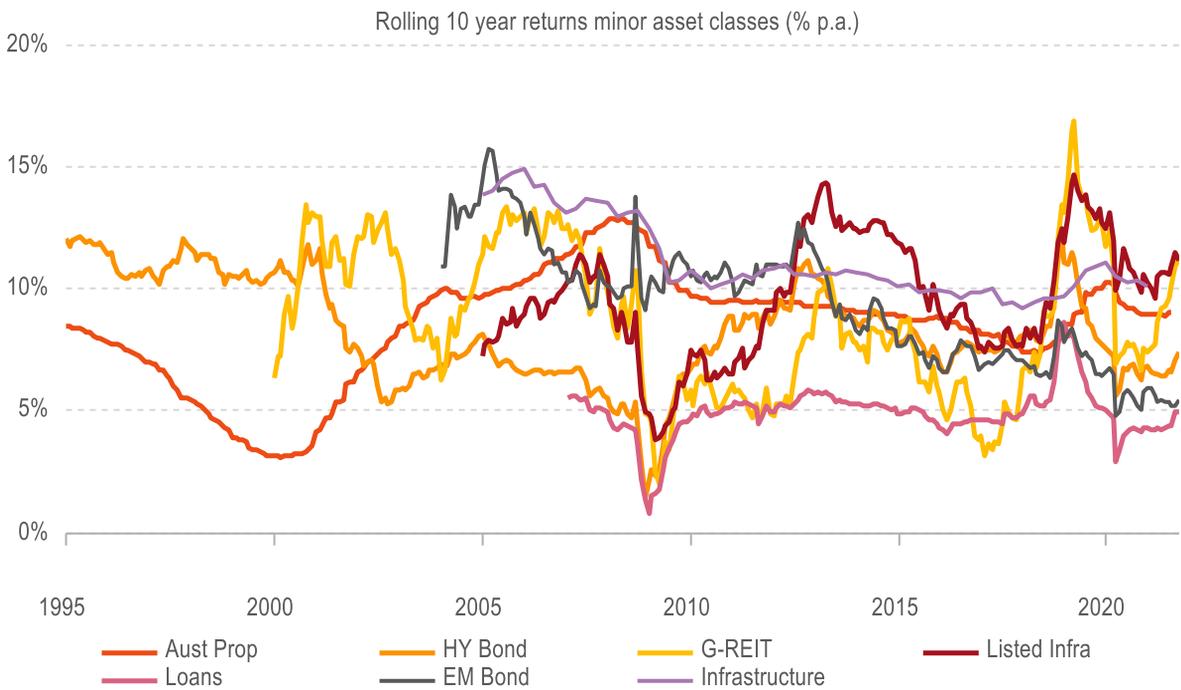


Source: Refinitiv Datastream

Asset class long-term returns



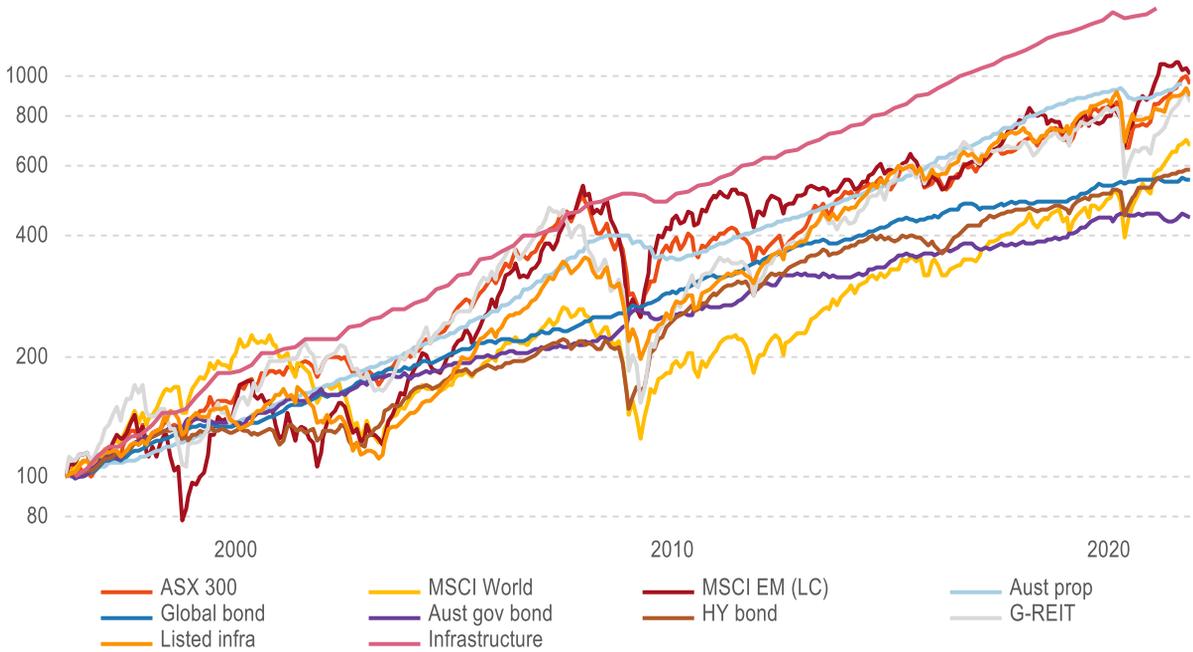
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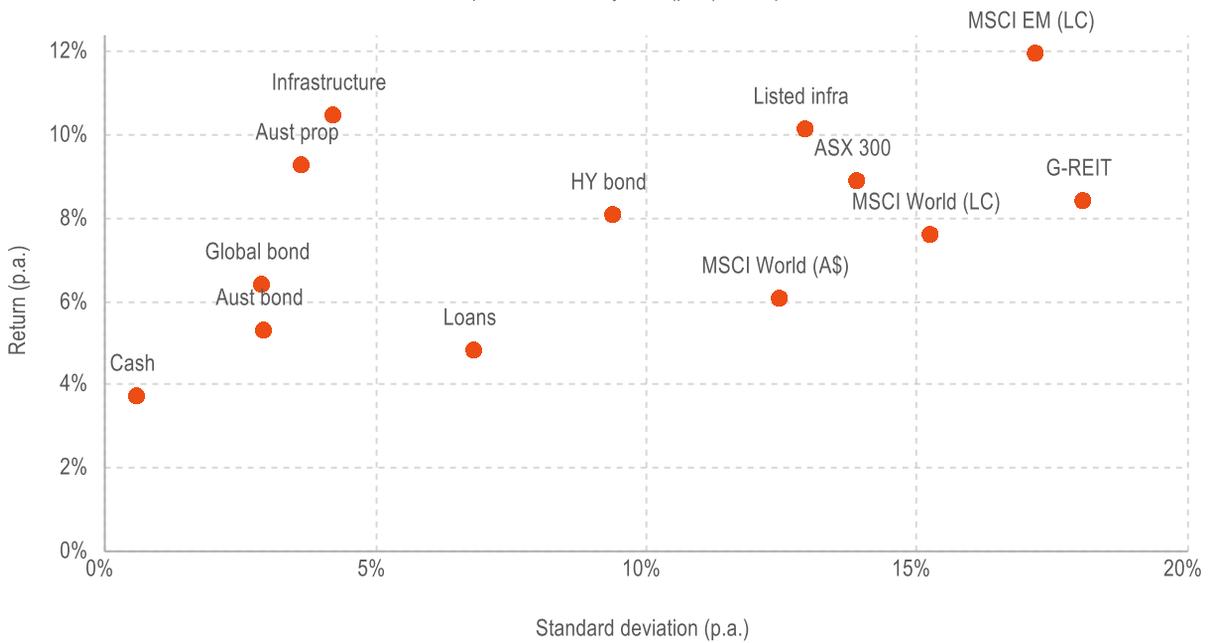
Asset class long-term returns

Cumulative values since 1 Jan 96 (\$100 reinvested)



Source: Refinitiv Datastream

Return-risk profile over 20 years (p.a.) to Sep 2021



Source: Refinitiv Datastream



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