

Investor sentiment was mixed

- **Global shares** were down -0.4% and were up 4.3% in hedged and unhedged terms, respectively. **Emerging markets** were relative underperformers (up 0.1%) driven by coronavirus concerns over the impact on China.
- Domestically, **Australian shares** outperformed international markets rising 5% during January. This was driven by strong performance in the Health Care and Technology sectors.
- The **Australian dollar (AUD)** fell against major currencies by -3.6% attributable to expectations of weaker Chinese growth from the coronavirus and weaker domestic growth from the bushfires.
- **Fixed income** assets rallied with growth concerns from the virus outbreak in China the key driver. Another factor was the rise of geopolitical tension in the Middle East between Iran and the US. A US airstrike (in response to rising Iranian-linked attacks in Iraq) killed Iranian general Qassem Soleimani. This saw a retaliatory rocket strike from Iran on airbases with US troops and has since seen an uneasy stalemate emerge.
- In this environment of virus fears and geopolitical tension, investors sought safe haven assets with bond prices rising (and yields falling) during January resulting in positive returns for both **domestic fixed income** and **international fixed income**.

As other risks cast a shadow on the global economy...

Globally

- Global business surveys continue pointing to an uptick in growth with the JP Morgan Markit Composite Global PMI at a nine-month high.
- The UK formalised its EU exit at the end of January with focus now on a formal trade agreement over the next 12 months.
- The US and China signed a "phase one" trade deal in mid-January as expected.
- The Iranian and virus fears prompted concern about China and global growth.

Locally

- Bushfires continued into January with firmer expectations of a drag on growth during the March quarter of -0.2% according to some estimates.
- The coronavirus outbreak and weaker Chinese demand for Australian exports is also expected to be a drag on growth.
- The labour market has continued to hold up comparably well with the RBA staying firm on rates in early February despite these near-term risks. However, given these risks growth is likely to underperform their forecast (2.75%) for another year.

Major asset class performance

Asset classes	1 month %	1 year %	5 years (p.a.) %
Australian shares	5.0	24.7	9.3
Global shares (hedged)	-0.4	17.9	10.0
Global shares (unhedged)	4.3	28.3	12.4
Global small companies (unhedged)	2.0	20.8	11.5
Global emerging markets (unhedged)	0.1	13.1	7.7
Global listed property (hedged)	1.3	11.6	5.8
Cash	0.1	1.4	1.9
Australian fixed income	2.3	9.1	4.3
International fixed income	1.8	8.1	4.1

Source: Bloomberg & IOOF, 31 January 2020

Indices used: Australian Shares: S&P/ASX 200 Accumulation Index, Global shares (hedged): MSCI World ex Australia Net Total Return (in AUD), Global shares (unhedged): MSCI World ex Australia Hedged AUD Net Total Return Index; Global small companies (unhedged): MSCI World Small Cap Net Total Return USD Index (in AUD); Global emerging markets (unhedged): MSCI Emerging Markets EM Net Total Return AUD Index; Global listed property (hedged): FTSE EPRA/NAREIT Developed Index Hedged in AUD Net Total Return; Cash: Bloomberg AusBond Bank Bill Index; Australian fixed income: Bloomberg AusBond Composite 0+ Yr Index; International fixed income: Bloomberg Barclays Global Aggregate Total Return Index Value Hedged AUD

Please note: Past performance is not indicative of future performance

Currency markets

Exchange rates	At close on 30/11	1 month change %	1 year change %
USD/AUD	0.67	-4.7	-8.0
Euro/AUD	0.60	-3.6	-5.1
Yen/AUD	72.5	-4.9	-8.4
Trade weighted index	58.1	-3.6	-5.7

Source: Bloomberg & IOOF, 31 January 2020. All foreign exchange rates are rounded to two decimal places where appropriate.

Please note: Past performance is not indicative of future performance.