

A recovery rally marches on

- **Global shares** rose 4.7% and 3.4% in hedged and unhedged terms, respectively.
- **Emerging markets** continued to struggle (down -0.6%) with political tension within Hong Kong and heightened US tensions driving Chinese equities lower for the month (China accounts for ~40% of the benchmark index making a major driver).
- **Australian shares** underperformed hedged global shares slightly, rising 4.4% in May. The Technology sector was the most notable performer (up 14.5%) after continued strength from Afterpay following strong user growth in the US and the announcement that Chinese tech giant Tencent had taken a 5% stake in the firm.
- The **Australian dollar (AUD)** continued its climb from late March lows with an 1.7% rise against major currencies. Coronavirus outbreaks continued to disrupt Brazilian iron ore supply, supporting iron ore prices and boosting Australia's current account surplus. This spurred AUD higher.
- **Fixed income** returns were positive with both Australian and international bond benchmarks rising 0.3% during May. Domestic and US government bond yields were broadly unchanged while credit spreads continued to contract on following purchases by central banks and further stimulus announcements.

Major asset class performance

Asset classes	1 month %	1 year %	5 years (p.a.) %
Australian shares	4.4%	-6.7%	4.3%
Global shares (hedged to AUD)	4.7%	4.9%	6.3%
Global shares (unhedged)	3.4%	12.0%	9.0%
Global small companies (unhedged)	5.2%	2.1%	6.5%
Global emerging markets (unhedged)	-0.6%	-0.2%	3.8%
Global listed property (hedged to AUD)	0.1%	-18.7%	0.3%
Cash	0.0%	1.0%	1.8%
Australian fixed income	0.3%	4.9%	4.5%
International fixed income	0.3%	6.0%	4.4%

Source: Bloomberg & IOOF, 31 May 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

As leading data begins to improve?

Globally

- Global business surveys suggest continued weakness in the near term with the JP Morgan Global Manufacturing PMI remaining in contractionary territory but rising slightly.
- The improvement in these and other leading indicators however suggest the pace of the contraction is slowing and growth is beginning to improve particularly as countries exit lockdown measures.
- We note rising tensions between China and other countries over new national security laws in Hong Kong and a proposed coronavirus inquiry. To date these measures have had limited impact but if they continue to escalate, may exacerbate economic weakness.
- Riots erupted across the US sparked by the death of African American George Floyd. We continue to monitor the situation which may have political and economic implications as it progresses.

Locally

- The RBA continued to leave rates on hold in line with its guidance and expectations.
- Australia's first recession began during the March quarter as a -0.3% fall saw government spending and exports being offset by weaker private sector demand.

Currency markets

Exchange rates	At close on 31/5	1 month change %	1 year change %
USD/AUD	0.67	2.4%	-3.9%
Euro/AUD	0.60	1.1%	-3.3%
Yen/AUD	71.9	3.0%	-4.3%
Trade weighted index	58.8	1.7%	-2.0%

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

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