



The recovery rally marches on

- **Global shares** rose 3.3% and 0.6% in hedged and unhedged terms, respectively.
- **Emerging markets** continued to rally (up 4.6%) driven by stronger economic data in China with business surveys such as the Caixin PMI pointing to stronger improvement while June quarter GDP showed a sharp bounce back into positive territory. State media also stoked a strong surge in retail shareholder buying.
- **Australian shares** underperformed global shares rising 0.5% in July. Gains in the Technology and Mining sectors were offset by weakness in banking and healthcare stocks. The negative outlook domestically with new lockdowns imposed in Victoria weighed on bank stocks.
- The **Australian dollar (AUD)** also continued to rally from its climb from late March lows with an 3.2% rise against major currencies.
- **Fixed income** returns were positive with Australian and international bond benchmarks rising 0.4% and 1% during July. Government bond yields fell further with credit spreads continuing to decline. Investors searching for yield and continued central bank buying have underpinned higher corporate bond prices, driving positive overall returns.

As the economy gained momentum

Globally

- The improvement in leading indicators continued albeit at a slower pace in the US and we saw positive signs in the strong bounce back of June quarter Chinese economic growth data.
- US policy against China remained a feature with the latest development being the potential sale of popular social media app TikTok to Microsoft in a bid to avoid a potentially fatal ban by President Trump (TikTok is accused of promoting Chinese security interests driven by its owner being Chinese firm ByteDance).
- In addition, we have seen coronavirus cases continue to grow globally but it appears in several major hotspots such as the US and Brazil, daily growth is peaking.
- Positive trial progress for several vaccines contributed to investor optimism.

Locally

- The RBA continued to leave rates on hold in line with its guidance and expectations.
- Victoria has entered harsher lockdowns in a bid to contain the surge in coronavirus cases. This will weigh on economic activity and contribute to higher unemployment.
- New government stimulus extends support for the economy albeit at a weaker pace. More may be required given the impact not only of Victorian lockdowns but reduced net migration this year.

Major asset class performance

| Asset classes | 1 month % | 1 year % | 5 years (p.a.) % |
|--|-----------|----------|------------------|
| Australian shares | 0.5% | -9.9% | 5.1% |
| Global shares (hedged to AUD) | 3.3% | 3.5% | 7.5% |
| Global shares (unhedged) | 0.6% | 3.4% | 8.1% |
| Global small companies (unhedged) | 0.2% | -5.7% | 5.6% |
| Global emerging markets (unhedged) | 4.6% | 2.4% | 6.7% |
| Global listed property (hedged to AUD) | 1.2% | -17.4% | 1.0% |
| Cash | 0.0% | 0.7% | 1.7% |
| Australian fixed income | 0.4% | 3.6% | 4.6% |
| International fixed income | 1.0% | 5.5% | 4.7% |

Source: Bloomberg & IOOF, 31 July 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

Disclaimer: This report has been prepared by the IOOF Research team for *RI Advice Group Pty Ltd* ABN 23 001 774 125 AFSL 238429. *RI Advice Group Pty Ltd* is a company within the IOOF group of companies consisting of IOOF Holdings Limited ABN 49 100 103 722 and its related bodies corporate. This report is current as at the date of issue but may be superseded by future publications. The information in the report may not be reproduced, distributed or published by any recipient for any purpose without the prior written consent of *RI Advice Group Pty Ltd*. This report may be used on the express condition that you have obtained a copy of the *RI Advice Group Pty Ltd* Financial Services Guide (FSG) from the [website](https://www.ioof.com.au/adviser/investment_funds/ioof_advice_research_process). *RI Advice Group Pty Ltd* and/or its associated entities, directors and/or its employees may have a material interest in, and may earn brokerage from, any securities or other financial products referred to in this report, or may provide services to the companies referred to in this report. This report is not available for distribution outside Australia and may not be passed on to any third person without the prior written consent of *RI Advice Group Pty Ltd*. *RI Advice Group Pty Ltd* and associated persons (including persons from whom information in this report is sourced) may do business or seek to do business with companies covered in its research reports. As a result, investors should be aware that the firms or other such persons may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as a single factor in making an investment decision. This report has been prepared in good faith and with reasonable care. Neither *RI Advice Group Pty Ltd* nor any other person makes any representation or warranty, express or implied, as to the accuracy, reliability, reasonableness or completeness of the contents of this document (including any projections, forecasts, estimates, prospects and returns and any omissions from this document). To the maximum extent permitted by law *RI Advice Group Pty Ltd*, its related bodies corporate and their respective officers, employees, representatives and associates disclaim and exclude all liability for any loss or damage (whether foreseeable or not foreseeable) suffered or incurred by any person acting on any information (including any projections, forecasts, estimates, prospects and returns) provided in, or omitted from this report. **General Advice Disclaimer:** The information in this report is general advice only and does not take into account your financial circumstances, needs and objectives. Before making any decision based on this report, you should assess your own circumstances or seek advice from a financial adviser. Where applicable, you should obtain and consider a copy of the Product Disclosure Statement, prospectus or other disclosure material relevant to the financial product before you acquire a financial product. It is important to note that investments may go up and down and past performance is not an indicator of future performance. For information regarding any potential conflicts of interest and analyst holdings; IOOF Research Team's coverage criteria, methodology and spread of ratings; and summary information about the qualifications and experience of the IOOF Research Team please visit https://www.ioof.com.au/adviser/investment_funds/ioof_advice_research_process.

Market wrap



August 2020

| Exchange rates | At close on 31/7 | 1 month change % | 1 year change % |
|----------------------|------------------|------------------|-----------------|
| USD/AUD | 0.71 | 3.5% | 4.4% |
| Euro/AUD | 0.61 | -1.3% | -1.9% |
| Yen/AUD | 75.6 | 1.5% | 1.5% |
| Trade weighted index | 61.9 | 3.2% | 4.0% |

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

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

Disclaimer: This report has been prepared by the IOOF Research team for *RI Advice Group Pty Ltd* ABN 23 001 774 125 AFSL 238429. *RI Advice Group Pty Ltd* is a company within the IOOF group of companies consisting of IOOF Holdings Limited ABN 49 100 103 722 and its related bodies corporate. This report is current as at the date of issue but may be superseded by future publications. The information in the report may not be reproduced, distributed or published by any recipient for any purpose without the prior written consent of *RI Advice Group Pty Ltd*. This report may be used on the express condition that you have obtained a copy of the *RI Advice Group Pty Ltd* Financial Services Guide (FSG) from the [website](#). *RI Advice Group Pty Ltd* and/or its associated entities, directors and/or its employees may have a material interest in, and may earn brokerage from, any securities or other financial products referred to in this report, or may provide services to the companies referred to in this report. This report is not available for distribution outside Australia and may not be passed on to any third person without the prior written consent of *RI Advice Group Pty Ltd*. *RI Advice Group Pty Ltd* and associated persons (including persons from whom information in this report is sourced) may do business or seek to do business with companies covered in its research reports. As a result, investors should be aware that the firms or other such persons may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as a single factor in making an investment decision. This report has been prepared in good faith and with reasonable care. Neither *RI Advice Group Pty Ltd* nor any other person makes any representation or warranty, express or implied, as to the accuracy, reliability, reasonableness or completeness of the contents of this document (including any projections, forecasts, estimates, prospects and returns and any omissions from this document). To the maximum extent permitted by law *RI Advice Group Pty Ltd*, its related bodies corporate and their respective officers, employees, representatives and associates disclaim and exclude all liability for any loss or damage (whether foreseeable or not foreseeable) suffered or incurred by any person acting on any information (including any projections, forecasts, estimates, prospects and returns) provided in, or omitted from this report. **General Advice Disclaimer:** The information in this report is general advice only and does not take into account your financial circumstances, needs and objectives. Before making any decision based on this report, you should assess your own circumstances or seek advice from a financial adviser. Where applicable, you should obtain and consider a copy of the Product Disclosure Statement, prospectus or other disclosure material relevant to the financial product before you acquire a financial product. It is important to note that investments may go up and down and past performance is not an indicator of future performance. For information regarding any potential conflicts of interest and analyst holdings; IOOF Research Team's coverage criteria, methodology and spread of ratings; and summary information about the qualifications and experience of the IOOF Research Team please visit https://www.ioof.com.au/adviser/investment_funds/ioof_advice_research_process.