



Market wrap

July 2021

“Risk on” markets continued

- **Global shares** rose 2.4% and 4.7% in hedged and unhedged terms, respectively. The rotation to stocks benefitting from economic recovery reversed in June with growth stocks e.g. US tech performing strongly.
- **Australian shares** underperformed global shares slightly, rising 2.3% in June. The leading sectors were technology (up 13.4%), communication services (up 5.5%) and consumer staples (up 5.3%). Financials (down 0.2%) and Materials (up 0.3%) were amongst the worst performers.
- The **Australian dollar (AUD)** fell 1.3% against major currencies and 3.1% against the US dollar. Two factors were key. First the announcement of US rate hikes sooner than expected (2023) making US dollars more attractive relative to AUD. Second the spread of the Delta variant of coronavirus and subsequent lockdowns softened sentiment towards Australian assets, undermining the AUD.
- **Fixed income** returns improved as bond yields fell. The US Federal Reserve lifted expectations for interest rate hikes in 2023 but yields still fell as priced in a weaker long-term inflation environment. This supported bond returns.

Major asset class performance

Asset classes	1 month %	1 year %	5 years (p.a.) %
Australian shares	2.3%	27.8%	11.2%
Global shares (hedged)	2.4%	35.8%	14.4%
Global shares (unhedged)	4.7%	27.5%	14.7%
Global small companies (unhedged)	3.4%	40.5%	14.2%
Global emerging markets (unhedged)	3.3%	29.2%	12.8%
Global listed property (hedged)	1.8%	30.2%	4.7%
Cash	0.0%	0.1%	1.3%
Australian fixed income	0.7%	-0.8%	3.2%
International fixed income	0.5%	-0.2%	2.9%

Source: Bloomberg & IOOF, 30 June 2021

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 the pandemic resurges at home

Globally

- Global business surveys suggest economic growth momentum remains positive, led by the US and Europe.
- Coronavirus vaccine progress continued in a welcome fashion internationally.
- The coronavirus pandemic itself remains problematic for several countries with the Delta variant posing a new challenge given its higher rate of infection although vaccines in the UK appear to be curbing the worst symptoms (and deaths).

Locally

- The RBA left interest rates unchanged in its July meeting at 0.1% and continues to flag staying at this level until 2024. It began unwinding the emergency support it first introduced last year with the pace of purchasing in the bond market slowing. The RBA also ended its term funding facility for Australian banks contributing to pressure on fixed mortgage rates.
- The spread of the Delta variant domestically prompted a two-week lockdown of Sydney (subsequently extended a further week) while Melbourne exited its own two-week lockdown.
- The economic damage of the lockdowns should not be overly severe provided they are not further extended. The economic cost may require further government support to be counteracted given the conclusion of the JobKeeper program.

Currency markets

Exchange rates	At close on 30/6	1 month change %	1 year change %
USD/AUD	0.75	-3.1%	8.6%
Euro/AUD	0.63	0.0%	2.9%
Yen/AUD	83.3	-1.7%	11.8%
Trade weighted index	62.7	-1.3%	4.5%

Source: Bloomberg & IOOF, 30 June 2021.

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.