

Market wrap

November 2021



Mixed investor sentiment abounds

- **Global shares** rose 5.4% and 1.7% in hedged and unhedged terms, respectively. The market was led higher by US stocks with the Nasdaq (a tech-heavy index) up 7.3% while the benchmark S&P 500 index was up 6.9% (both in USD terms) as investors were positive on the September quarter earnings results with tech giant Microsoft up 17.9% as one example.
- **Australian shares** underperformed global shares, falling 0.1% in October. The leading sectors were Technology (up 2.1%) and Health Care (up 1%). Industrials (down 3.3%) and consumer staples (down 2.3%) were the worst performers. Technology returns were supported by Computershare which benefitted from rising bond yields given its higher interest income on client cash balances.
- **Fixed income** returns were poor particularly for the Australian market. An increase in bond yields predominantly of short to intermediate duration saw both Australian and international bond markets sell off. The pain was more severe domestically as it became clear the RBA had abandoned its yield curve control for the 3-year bond which ended the month at 1.22% (compared to the RBA 0.1% target).
- The **Australian dollar (AUD)** rose 3.8% against major currencies and 4% against the US dollar. A key boost came from the reopening of the economy after lockdowns while the rise in bond yields also made our currency more attractive to speculators.

As global growth stabilises?

Globally

- Global business surveys suggest economic growth momentum may have stabilised in October with improvement in services sector offsetting weakness amongst manufacturers. Supply chain disruptions remain an ongoing feature in business surveys impacting inflation.
- Chinese developer Evergrande repaid an outstanding coupon on one of its foreign bonds. Investors appeared more confident on containment within China of any further issues.

Locally

- Economic momentum is bouncing back domestically as NSW and Victoria eased lockdown restrictions.
- The RBA withdrew guidance that interest rates would stay at 0.1% until 2024, suggesting a more optimistic view on the economy. The RBA also ended its policy of targeting 0.1% for the 3-year government bond yield.
- Sep-21 quarter inflation showed an annual rise of 3% while underlying inflation rose 2.1% over the same period.

Major asset class performance

Asset classes	1 month %	1 year %	5 years (p.a.) %
Australian shares	-0.1	28.0	10.9
Australian small companies	0.9	31.0	11.5
Global shares (hedged)	5.4	39.7	14.8
Global shares (unhedged)	1.7	31.4	15.9
Global small companies (unhedged)	-0.5	35.8	14.4
Global emerging markets (unhedged)	-2.9	9.4	9.7
Global listed property (hedged)	5.6	41.1	6.5
Cash	0.0	0.0	1.2
Australian fixed income	-3.6	-5.3	2.6
International fixed income	-0.3	-1.0	2.8

Source: Bloomberg & IOOF, 31 October 2021

Indices used: Australian Shares: S&P/ASX 200 Accumulation Index, Australian small companies: S&P/ASX Small Ordinaries 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 31/10 %	1 month change %	1 year change %
USD/AUD	0.75	4.0	7.0
Euro/AUD	0.65	4.2	7.8
Yen/AUD	85.8	6.6	16.6
Trade weighted index	63.1	3.8	6.1

Source: Bloomberg & IOOF, 31 October 2021

All foreign exchange rates are rounded to two decimal places where appropriate.

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