

Market wrap

February 2022



Market slump in January

- **Global shares** fell 2.2% and 5.1% in unhedged and hedged terms, respectively. Global emerging markets rose 1.2% over the month.
- **Australian shares** performed poorly during January, with the S&P/ASX 200 losing 6.4%. The leading sectors were Energy (up 7.88%) and Utilities (up 2.56%). I.T. was again the worst performing sector for the month (down 18.43%).
- **Fixed income** returns for the month were very poor, returning -1.0% domestically and -1.6% globally.
- The **Australian dollar (AUD)** lost 2.70% against the US dollar and 2.76% against the Yen. Note by mid-February, the AUD is back up trading around 0.7185 USD.

Inflation and Tapering

Globally

- U.S inflation is still red hot. The consumer price index rose 0.6% for the month of January, 7.5% on a year-on-year basis, and was the fastest rate since February 1982.
- Minutes of the January 25-26 Federal Open Market Committee meeting stated, "that if inflation does not move down as they expect, it would be appropriate for the Committee to remove policy accommodation at a faster pace than they currently anticipate".
- China's inflationary pressure continued to ease in January, with the growth of both consumer and factory-gate prices slowing further.

Locally

- Australia's Consumer Price Index rose 1.3% in the December quarter, bringing inflation for the full 2021 year to 3.5%.
- This is above the Reserve Bank of Australia's medium-term target range of 2-3% inflation. It will excite speculation about the central bank lifting interest rates far sooner than expected.
- As expected, at the RBA's February Board meeting, a decision was made to end QE.
- The official cash rate remained at 0.10%, but the futures market is pricing in 4 rate rises this year.

Major asset class performance

Asset classes	1 month %	1 year %	5 years (p.a.) %
Australian shares	-6.4	9.4	8.5
Australian small companies	-9.0	6.7	9.6
Global shares (hedged)	-5.1	18.6	12.5
Global shares (unhedged)	-2.2	27.3	15.1
Global small companies (unhedged)	-4.7	13.5	11.6
Global emerging markets (unhedged)	1.2	1.0	9.9
Global listed property (hedged)	-5.5	22.2	5.8
Cash	0.0	0.0	1.1
Australian fixed income	-1.0	-3.5	3.0
International fixed income	-1.6	-2.6	2.9

Source: Bloomberg & IOOF, 31 January 2022

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 31/01 %	1 month change %	1 year change %
USD/AUD	0.71	-2.7	-7.5
Euro/AUD	0.63	-1.6	-0.1
Yen/AUD	81.4	-2.8	1.7
Trade weighted index	59.3	-2.9	-5.9

Source: Bloomberg & IOOF, 31 January 2022

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

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