

Market wrap

July 2022



June: Investment Struggle

- **Global shares** had a poor month (-4.6% unhedged and -8.1% hedged). As expected, unhedged outperformed hedged in a “risk-off” environment, helped by a depreciation in the Australian dollar.
- **Australian shares** and particularly small cap stocks were hit hard during June, with the broad market index, the S&P/ASX 200 Accumulation Index losing 8.8%. The best performing sector was Consumer Staples, which was the only sector in positive territory (up 0.21%), while Materials was the worst performing sector down 12.44%.
- **Fixed income** returns for the month were again poor, returning -1.5% domestically and -1.6% globally. This was the result of rising bond yields and widening credit spreads.
- The **Australian dollar** took a significant hit during the month of June versus the USD, losing 3.8% of its value. Interestingly, the AUD managed to gain 1.4% against the Yen, but lost 1.3% against the Trade-Weighted Index.

Inflation High, unemployment low

Globally

- June's U.S. non-farm payrolls are expected to have slowed from the 390,000 added in May, but still show solid job growth and a strong labour market. According to Dow Jones, economists expect 250,000 payrolls were added in June and the unemployment rate to remain steady at 3.6%.
- In the U.S., for the year to 31 May 2022, the Consumer Price Index for All Urban Consumers increased 8.6%, the largest 12-month increase since the period ending December 1981. In summary, U.S. inflation is currently very high and broad-based.

Locally

- Both the June S&P Flash PMI and AIG Manufacturing Index were released indicating private sector growth continuing.
- Whilst the AIG Manufacturing Index trended higher, we remain cautious and believe growth will continue to slow throughout this year.
- The May labour force report, released in June, reported the unemployment rate unchanged from April at 3.9%.
- Encouragingly, the underemployment rate decreased to 5.7%, and this is the lowest level since August 2008.
- The RBA Board increased the cash rate target by 50bps to 0.85% in June, the second consecutive monthly rise. Subsequently to the end of June, the RBA raised rates by a further 50bps to 1.35% on 5 July.

Major asset class performance

Asset classes	1 month %	1 year %	5 years (p.a.) %
Australian shares	-8.8	-6.5	6.8
Australian small companies	-13.1	-19.5	5.1
Global shares (hedged)	-8.1	-12.5	7.3
Global shares (unhedged)	-4.6	-6.5	10.1
Global small companies (unhedged)	-6.4	-15.4	7.0
Global emerging markets (unhedged)	-2.6	-18.4	4.4
Global listed property (hedged)	-7.8	-10.5	1.9
Cash	0.1	0.1	0.9
Australian fixed income	-1.5	-10.5	0.9
International fixed income	-1.6	-9.3	0.8

Source: Bloomberg & IOOF, 30 June 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 30/6 %	1 month change %	1 year change %
USD/AUD	0.690	-3.8	-7.9
Euro/AUD	0.659	-1.5	4.1
Yen/AUD	93.695	1.4	12.5
Trade weighted index	61.8	-1.3	-1.4

Source: Bloomberg & IOOF, 30 June 2022

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

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