

# Market wrap

November 2022



## October: Developed Market Equities Rebound

- **Global shares** performed well over October (7.8% unhedged and 7.2% hedged). Energy stocks were broadly stronger following especially robust earnings.
- **Australian shares** also performed well, with the broad market index, the S&P/ASX 200 Accumulation Index gaining 6.0%, with all sectors producing positive returns except for Consumer Staples and Materials, both of which were only slightly negative. The best performing sectors were Financials (up 12.16%), followed by Property Trusts (up 9.91%).
- **Fixed income** returns for the month were mixed, with Australian Fixed Interest returning 0.9%, whereas global fixed interest went backwards 0.1%.
- The **Australian dollar** was flat against the US dollar for the month, while the AUD rose 2.7% against the Yen. On a Trade-Weighted Index basis, the AUD was down 0.3%.

## Economic Growth Slows

### Globally

- Private sector firms in the US recorded a further downturn in output at the start of the fourth quarter, according to latest 'flash' PMI data from S&P Global. The fall in business activity was larger than that seen in September, as service providers signalled a quicker decline.
- The Eurozone economy slipped into a steeper downturn at the start of the fourth quarter, the rate of decline hitting the fastest since April 2013 excluding pandemic lockdowns. Manufacturing and energy intensive sectors, in particular, reported the steepest output loss, but services activity also continued to fall at an accelerating rate amid the ongoing cost of living crisis and broad-based economic uncertainty.

### Locally

- During October, the RBA decided to raise the Target Cash Rate by 0.25% to 2.60%, the sixth consecutive hike (it has subsequently made a seventh increase in early November of 0.25% to bring the Target Cash Rate to 2.85%).
- The annual inflation rate in Australia climbed to 7.3% in Q3 of 2022, up from 6.1% in Q2, and above market forecasts of 7.0%. This was the highest figure since Q2 1990, boosted by higher prices for new dwelling construction, automotive fuel and food. On a quarterly basis, consumer prices went up 1.8%, the same pace as in Q2, which remained the steepest pace since the introduction of the Goods and Services Tax (GST).

## Major asset class performance

Asset classes	1 month %	1 year %	5 years (p.a.) %
Australian shares	6.0	-2.0	7.2
Australian small companies	6.5	-18.3	4.2
Global shares (hedged)	7.2	-16.1	6.2
Global shares (unhedged)	7.8	-4.3	10.4
Global small companies (unhedged)	8.6	-8.2	7.5
Global emerging markets (unhedged)	-2.6	-19.0	0.5
Global listed property (hedged)	3.1	-21.6	0.1
Cash	0.2	0.8	1.0
Australian fixed income	0.9	-7.2	0.7
International fixed income	-0.1	-12.6	-0.3

Source: Bloomberg & IOOF, 31 October 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 31/10 %	1 month change %	1 year change %
USD/AUD	0.64	0.0	-14.9
Euro/AUD	0.65	-0.9	-0.5
Yen/AUD	95.2	2.7	11.0
Trade weighted index	61.3	-0.3	-2.9

Source: Bloomberg & IOOF, 31 October 2022

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

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

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