February 2023

Market wrap

January: Boom to start the year!

- Markets started the year on an extremely positive note. Both stocks and bonds producing significantly above average monthly returns. **Global Share** performance was very promising. Global shares gained 6.2% on a currency hedged basis and 3.0% on an unhedged basis. In the U.S., Consumer Discretionary was the best performing sector for January, with Communication Services being the next best performer. The worst performing sector was Utilities, closely followed by Healthcare.
- **Australian shares** rose sharply in January, with the broad market index, the S&P/ASX 200 Accumulation Index gaining 6.2%, with all sectors, except Utilities, producing positive returns. The best performing sectors were Consumer Discretionary (up 9.82%), followed by Materials (up 8.88%).
- **Fixed income** returns for the month were solid, with Australian Fixed Interest gaining 2.8%, and global fixed interest gaining 2.1%.
- The **Australian dollar** rose by 3.6% against the US dollar over the month, mainly due to the US dollar continuing to weaken. Against the Yen, the AUD gained ground and rose by 2.7%. On a Trade-Weighted Index basis, the AUD was up by 1.6%.

U.S. inflation slows, but by less than market expectations.

Globally

- The International Monetary Fund (IMF) has made a slight increase to its global growth outlook for 2023, due to "surprisingly resilient" demand in the U.S. and Europe, easing energy costs and the reopening of China's economy, after Beijing abandoned its strict COVID-19 restrictions.
- The IMF still sees the pace of global growth falling this year compared with 2022, but by a smaller margin than it predicted in October. The IMF is now forecasting 2.9% growth for 2023, up from a 2.7% forecast in October and compared to 3.4% growth last year.
- The annual inflation rate in the US slowed only slightly to 6.4% in January, down from 6.5% in December, and by less than what markets had expected (forecast was 6.2%). Still, it is the lowest reading since October of 2021.

Locally

- Australia's seasonally adjusted unemployment rate unexpectedly increased to 3.7% in January 2023, up from December's near five-decade low of 3.5% and above the market estimates of 3.5%. This was the highest jobless rate since last May, as the number of unemployed climbed by 21,900 to 523,200.

Major asset class performance

Asset classes	1 month %	1 year %	5 years (p.a.) %
Australian shares	6.2%	12.2%	8.5%
Australian small companies	6.6%	-4.4%	4.4%
Global shares (hedged)	6.2%	-8.3%	6.1%
Global shares (unhedged)	3.0%	-7.9%	9.5%
Global small companies (unhedged)	5.7%	-3.8%	7.4%
Global emerging markets (unhedged)	3.8%	-12.1%	1.3%
Global listed property (hedged)	8.0%	-13.3%	1.4%
Cash	0.3%	1.5%	1.0%
Australian fixed income	2.8%	-6.3%	1.1%
International fixed income	2.1%	-8.9%	0.3%

Source: Bloomberg & Insignia Financial, 31 January 2023

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	3.6%	-0.2%
Euro/AUD	0.65	2.0%	3.3%
Yen/AUD	91.8	2.7%	12.8%
Trade weighted index	62.4	1.6%	5.2%

Source: Bloomberg & Insignia Financial, 31 January 2023

All foreign exchange rates are rounded to two decimal places where appropriate.
Please note: Past performance is not indicative of future performance.