

# Market wrap

September 2021



## Risk-on environment persist

- **Global shares** rose 2.7% and 3.1% in hedged and unhedged terms, respectively. The market was led higher by US tech stocks as investors anticipated a slower economic growth environment in which more cyclical names will struggle.
- **Australian shares** underperformed global shares, rising 2.5% in August. The leading sectors were technology (up 16.8%) buoyed by a takeover bid for Afterpay from US payments giant Square and healthcare (up 6.8%). Materials was the worst performer (down 7.9%) driven by lower iron ore prices and forced selling of BHP following news that it is ending its UK dual listing.
- The **Australian dollar (AUD)** fell 0.6% against major currencies and 0.4% against the US dollar. Lockdowns in both NSW and Victoria dragged on the economy souring investor support.
- **Fixed income** returns were mixed. The decline in bond yields supported Australian bond returns. Arguably we saw some resolution of the bond vs equity world views with global yields rising and equities continuing to perform well. Weighing against this however is the relative weakness of cyclical stocks.

## As Australians vaccinate en masse

### Globally

- Global business surveys suggest economic growth momentum has peaked with a slowdown exacerbated by the Delta strain and related supply chain disruption notably in the Asia-Pacific region.
- The US followed Israel in approving booster doses bolstering confidence that future mutant strains will be contained.

### Locally

- Economic growth for the June quarter surprised on the upside with strong household and government spending offsetting export weakness (production issues and high commodity prices).
- High commodity prices can cause exports to be a net drag if lower volumes are exported relative to previous periods. This is because we focus on real GDP, an underlying measure of economic growth.
- The Sydney lockdown was extended until the end of September. Peak daily cases may be reached in September according to government modelling.
- Pleasingly vaccine progress is tracking strongly, boosting confidence that re-opening will occur in the December quarter this year. This can be seen in both consumer and business surveys which are considerably more positive than they were during the pandemic's first wave last year
- The RBA left its cash rate unchanged and deferred a reduction in its bond purchases until early next year.

## Major asset class performance

Asset classes	1 month %	1 year %	5 years (p.a.) %
Australian shares	2.5	28.1	10.9
Australian small companies	5.0	29.5	11.0
Global shares (hedged)	2.7	29.4	14.4
Global shares (unhedged)	3.1	31.4	15.6
Global small companies (unhedged)	2.9	43.1	14.2
Global emerging markets (unhedged)	3.2	22.6	11.0
Global listed property (hedged)	1.5	32.9	5.2
Cash	0.0	0.0	1.2
Australian fixed income	0.1	1.1	3.3
International fixed income	-0.2	0.6	2.9

Source: Bloomberg & IOOF, 31 August 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 31/8 %	1 month change %	1 year change %
USD/AUD	0.73	-0.4	-0.8
Euro/AUD	0.62	0.1	0.3
Yen/AUD	80.5	-0.1	3.0
Trade weighted index	61.2	-0.6	-2.2

Source: Bloomberg & IOOF, 31 August 2021

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

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

This report is prepared by Bridges Financial Services Pty Limited ABN 60 003 474 977 AFSL 240837 (Bridges). Bridges is an ASX Market Participant and part of the IOOF group of companies. *This report is prepared by the IOOF Research team for: Bridges Financial Services Pty Limited ABN 60 003 474 977 AFSL 240837, Consultium Financial Advisers Pty Ltd ABN 65 006 373 995 AFSL 230323, Elders Financial Planning ABN 48 007 997 186 AFSL 224645, Financial Services Partners ABN 15 089 512 587 AFSL 237 690, Millennium Financial Services Pty Ltd ABN 61 004 529 987 AFSL 244252, FII Advice Group Pty Ltd ABN 23 001 774 125 AFSL 238429, Shadforth Financial Group Ltd ABN 27 127 508 472 AFSL 318613 (Advice Licensees). The Advice Licensees are part of the IOOF group comprising IOOF Holdings ABN 49 100 103 722 and its related bodies corporate (IOOF group). The Advice Licensees and/or their associated entities, directors and/or employees may have a material interest in, and may earn brokerage from, any securities or other financial products referred to in this document or may provide services to the company referred to in this report. The document is not available for distribution outside Australia and may not be passed on to any third person without the prior written consent of the Advice Licensees. The Advice Licensees and associated persons (including persons from whom information in this report is sourced) may do business or seek to do business with companies covered in its research reports. As a result, investors should be aware that the firms or other such persons may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as a single factor in making an investment decision. The document is current as at the date of issue but may be superseded by future publications. You can confirm the currency of this document by checking the intranet site (links below). The information contained in this report is for the sole use of advisers and clients of AFSL entities authorised by the Advice Licensees. This report may be used on the express condition that you have obtained a copy of the Advice Licensees Financial Services Guide (FSG) from their respective website. **Disclaimer:** The information in this report is general advice only and does not take into account the financial circumstances, needs and objectives of any particular investor. Before acting on the advice contained in this document, you should assess your own circumstances or seek advice from a financial adviser. Where applicable, you should obtain and consider a copy of the Product Disclosure Statement, prospectus or other disclosure material relevant to the financial product before making a decision to acquire a financial product. It is important to note that investments may go up and down and past performance is not an indicator of future performance. The contents of this report should not be disclosed, in whole or in part, to any other party without the prior consent of the IOOF Research Team and Advice Licensees. To the extent permitted by the law, the IOOF Research team and Advice Licensees and their associated entities are not liable for any loss or damage arising from, or in relation to, the contents of this report. For information regarding any potential conflicts of interest and analyst holdings; IOOF Research Team's coverage criteria, methodology and spread of ratings; and summary information about the qualifications and experience of the IOOF Research Team please visit [https://www.ioof.com.au/adviser/investment\\_funds/ioof\\_advice\\_research\\_process](https://www.ioof.com.au/adviser/investment_funds/ioof_advice_research_process)*