

# Market wrap

April 2022



## March: Australian Equities Perform Well – All GICS Sectors Positive

- **Global shares** had a mixed month. Due to upward movements in the Australian dollar, on an unhedged basis, global shares were down 0.9%, but on a hedged basis were up 2.9%. In a fairly similar result to last month, global emerging markets fell 5.6% over the month.
- **Australian shares** performed well during March, with the S&P/ASX 200 Accumulation Index gaining 6.9%. The leading sectors were I.T. (up 13.15%) and Energy (up 9.59%). Note that I.T. was rebounding after a couple of poor months. Property Trusts was the worst performer for the month, although still in positive territory (up 1.14%).
- **Fixed income** returns for the month were again exceptionally poor, returning -3.7% domestically and -2.1% globally.
- The **Australian dollar (AUD)** gained 3.0% against the US dollar. The AUD also gained a very significant 9.1% against the Yen and 5.0% against the Trade-Weighted Index.

## U.S. Fed's Lift-off

### Globally

- U.S. Fed raises the cash rate for the first time since late 2018.
- Fed Officials indicated an aggressive tightening path ahead, with rate rises expected at each of the remaining six meetings in 2022.
- Members also pared back expectations for economic growth this year and sharply raised their outlook for inflation.
- Inflation in the U.S. is expected to remain at elevated levels for the short term. Euro area annual inflation is expected to be 7.5% in March 2022, up from 5.9% in February according to a flash estimate from Eurostat.

### Locally

- Job Vacancies rose 6.9% in the 3 months to February to 423.5k. Vacancies are now 86% higher than pre-pandemic levels. Underscoring the strength of labour demand even after employment has more than recovered from lockdown impacts, there are now just 1.3 unemployed people per job vacancy, less than half the number prior to the pandemic.
- The disconnect between the markets' expectations of interest rate rises and RBA guidance appears to be continuing. Some markets are now pricing in around thirteen 25-basis point interest rate rises by September 2023, while consensus data of economists' forecasts is predicting a cash rate of around 1.50% at the same date.

## Major asset class performance

Asset classes	1 month %	1 year %	5 years (p.a.) %
Australian shares	6.9	15.0	9.2
Australian small companies	5.3	9.7	9.9
Global shares (hedged)	2.9	10.9	11.6
Global shares (unhedged)	-0.9	11.6	12.9
Global small companies (unhedged)	-2.4	0.5	10.2
Global emerging markets (unhedged)	-5.6	-10.1	6.3
Global listed property (hedged)	4.7	15.7	5.9
Cash	0.0	0.0	1.0
Australian fixed income	-3.7	-5.5	1.9
International fixed income	-2.1	-4.0	2.0

Source: Bloomberg & IOOF, 31 March 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 31/3 %	1 month change %	1 year change %
USD/AUD	0.75	3.0	-1.5
Euro/AUD	0.68	4.5	4.4
Yen/AUD	91.1	9.1	8.3
Trade weighted index	63.6	5.0	-0.5

Source: Bloomberg & IOOF, 31 March 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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