

Monthly Market Snapshot

October 2020

The Monthly Market Snapshot publication provides commentary on the global economy and the performance of financial markets

Market Commentary

Heightened uncertainty around the global resurgence of COVID-19 infections, the upcoming US presidential election and pre-election stimulus deadlock have dominated investor sentiment in October. Global equity markets were mixed as a result, with early gains falling by month end. Newly instated lockdown measures in advanced economies have contributed to stalling global growth while strong data from China was reflected in emerging market returns. Emerging markets and global small caps continued to outperform developed markets for the month.

In the US, political uncertainty and rising COVID-19 infections remained the headline. The move to reopen businesses and resume activities have contributed to the recovery in both consumption and investment components of the GDP. Despite a sizeable rebound, the annual GDP still contracted by 3.5%. This contraction was also reflected in services (54.6) and manufacturing (53.4) purchasing manager's index (PMI) returns. The unemployment rate and jobless claims remain well above pre-pandemic levels. In the lead up to the presidential election, US markets reacted positively to the polls indicating a Democrat clean sweep. Stalled fiscal stimulus negotiations also contributed to economic contraction.

Europe's second wave of COVID-19 infections increased over the month, resulting in many countries, including the UK, to reinstate national containment measures. The UK's furlough scheme was extended past the original 31 October end date, reflecting continued fiscal support being required. The ECB left its monetary policy on hold as consumer confidence fell and the Eurozone unemployment rate rose to 8.3%. After a brief stall to negotiations, Brexit talks recommenced during the month. Commentary suggests that progress has been made towards the trade deal with a target to finalise talks by year end. UK and European equity markets performed poorly over the month.

China's economy continued its rebound with import and export data showing signs of growth over the month. The Caixin China General Manufacturing PMI rose to 53.6 for the month indicating a sixth consecutive month of growth in factory activity. The US/China trade tensions extended to Australia with China initially banning coal imports before announcing further bans on imports including wine, wheat, lobsters and other commodities. Although current impact to Australian GDP is minimal, a Democratic US election win could prove favourable to a resolution to trade issues.

Australia's COVID-19 infection rate remained low over the month with the decline in Victoria's second-wave cases resulting in the first stage in reopening of retail and further easing on travel and hospitality restrictions. Economic recovery continued, but pre-pandemic levels will take time to reach. The RBA maintained monetary policy for the month. Tackling high unemployment rates remains as a high priority, and further measures to support job creation and economic recovery were announced first week of November.

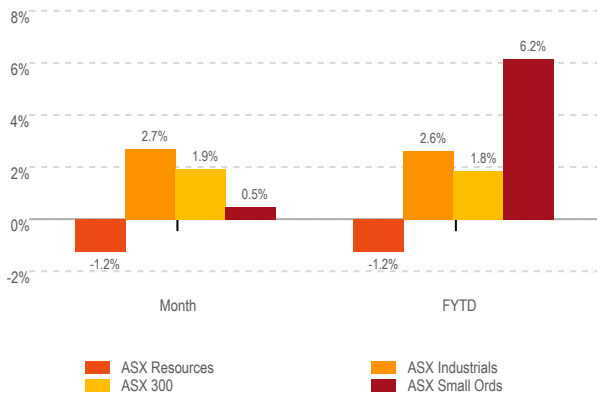
Government bonds performed strongly over the month while bond yields declined in Australia and Europe but rose in the US. The AUD depreciated against major currencies, most notably when compared with the Japanese Yen. Commodity prices were volatile over the month reflecting China/Australia trade tensions. The oil price was the worst performer while gold finished slightly negative.

Listed Infrastructure performed negatively in October, although Australian listed Infrastructure was considerably more negative than its global counterpart. Listed property performance was negative with Global listed property performing worse than Australian listed property.

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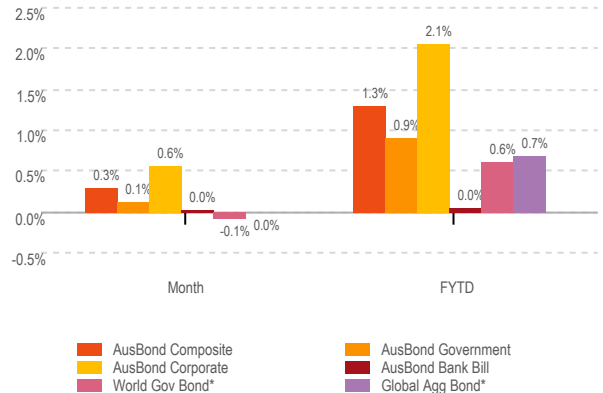
Australian Equities



Source: Refinitiv Datastream



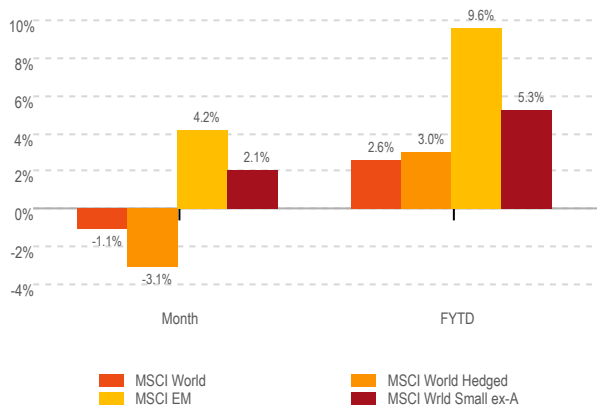
Fixed Income



Source: Refinitiv Datastream



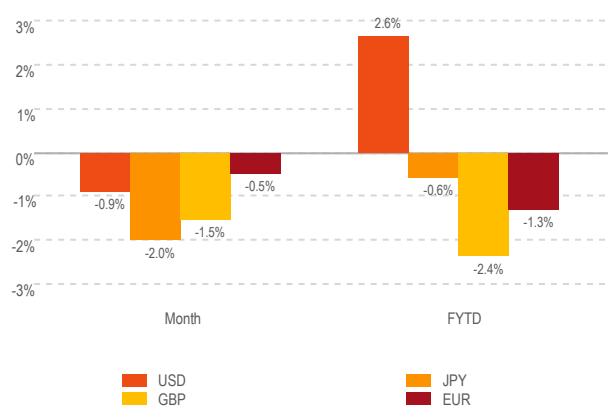
International Equities (\$A)



Source: Refinitiv Datastream



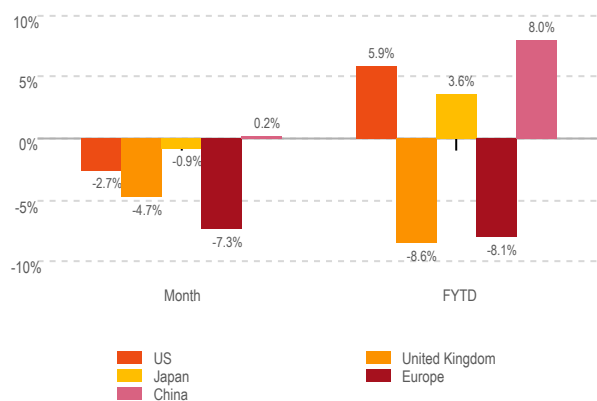
Australian Dollar



Source: Refinitiv Datastream



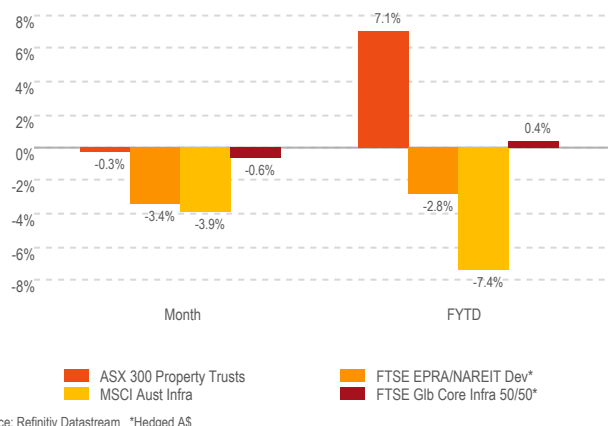
International Equities



Source: Refinitiv Datastream











Real Assets



Source: Refinitiv Datastream *Hedged A\$

Details of the indices are in the table on the next page

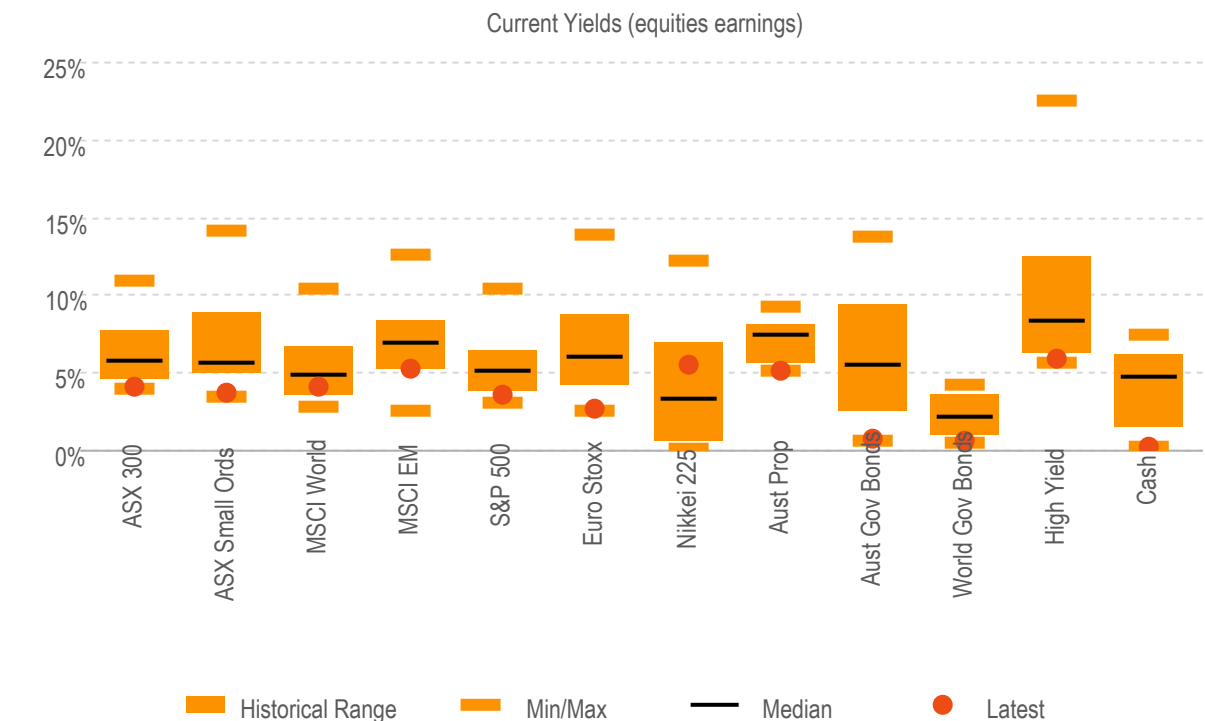
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	Index Value	Month	3 Months	FYTD	1 Year	5 Yr p.a.
 Australian Equities						
S&P/ASX 300 Accum. Index	5,909	1.9%	-0.8%	1.8%	-8.3%	6.9%
S&P/ASX 300 Accum. Industrials Index	9,170	2.7%	1.1%	2.6%	-9.4%	5.7%
S&P/ASX 300 Accum. Resources Index	4,258	-1.2%	-7.8%	-1.2%	-3.4%	12.7%
ASX Small Caps Accum. Index	2,736	0.5%	2.8%	6.2%	-2.3%	8.6%
 International Equities						
MSCI World Index (\$A)	3,657	-1.1%	1.4%	2.6%	2.0%	8.5%
MSCI World Index (Hedged \$A)	3,018	-3.1%	2.9%	3.0%	2.6%	7.9%
MSCI Emerging Markets Index (\$A)	1,134	4.2%	3.9%	9.6%	6.0%	8.3%
MSCI World ex-Aus Small Cap Index (\$A)	468	2.1%	4.2%	5.3%	-2.6%	7.0%
US (S&P 500 Index in USD)*	3,270	-2.8%	0.7%	5.5%	7.3%	9.5%
US Tech (NASDAQ Index in USD)*	10,912	-2.3%	3.1%	8.5%	31.4%	16.6%
United Kingdom (FTSE 100 Index in GBP)*	5,577	-4.9%	-6.9%	-9.6%	-23.9%	-2.6%
Japan (Nikkei 225 Index in JPY)*	22,977	-0.9%	2.9%	3.1%	0.6%	3.8%
Europe (Stoxx 50 Index in EUR)*	2,958	-7.4%	-7.8%	-8.5%	-18.3%	-2.8%
China (Shanghai Composite Index in CNY)*	3,225	0.2%	-1.9%	8.0%	9.7%	-1.0%
 AUD versus ...						
USD	0.70	-0.9%	-1.6%	2.6%	2.6%	-0.2%
JPY	73.51	-2.0%	-2.5%	-0.6%	-1.6%	-3.1%
GBP	0.55	-1.5%	-1.3%	-2.4%	2.2%	3.3%
EUR	0.60	-0.5%	-1.0%	-1.3%	-2.4%	-1.4%
 Real Assets						
ASX 300 Listed Property Trusts Accum. Index	1,286	-0.3%	5.8%	7.1%	-17.3%	4.9%
FTSE EPRA / NAREIT Dev. Index (Hedged \$A)	1,368	-3.4%	-4.0%	-2.8%	-25.5%	0.0%
MSCI Australia Infrastructure	1,124	-3.9%	-7.3%	-7.4%	-12.1%	2.8%
FTSE Global Core Infra 50/50 Index (Hedged \$A)	2,110	-0.6%	-1.4%	0.4%	-10.0%	6.7%
 Oil and Commodities						
Crude Oil (US\$/bbl)	36.0	-10.2%	-9.5%	-8.4%	-34.4%	-5.0%
Copper Spot (US\$/tonne)	6,708	0.6%	4.1%	11.7%	14.0%	5.5%
Gold Spot (US\$/ounce)	1,881	-1.0%	-3.1%	5.4%	25.8%	10.5%
 Australian Fixed Interest						
Bloomberg AusBond Composite Index	10,740	0.3%	0.9%	1.3%	4.0%	4.5%
Bloomberg AusBond Government Index	11,234	0.1%	0.6%	0.9%	3.5%	4.6%
Bloomberg AusBond Corporate Index	11,016	0.6%	1.2%	2.1%	4.3%	4.8%
Bloomberg AusBond Bank Bill Index	9,019	0.0%	0.0%	0.0%	0.5%	1.6%
 Global Fixed Interest						
FTSE WGBI ex-Aus (Hedged \$A)	2,643	-0.1%	-0.3%	0.6%	4.4%	4.5%
Barclay's Global Agg. Bond Index (Hedged \$A)	1,104	0.0%	-0.4%	0.7%	4.2%	4.4%
 Fixed Income (yields) as at ...	Oct 2020	Sep 2020	Jul 2020	Jun 2020	Oct 2019	Oct 2015
Australia Bank Bill	0.05	0.09	0.09	0.09	0.90	2.02
Australia 10-Year Government Bond	0.83	0.85	0.87	0.88	1.14	2.63
US 10-Year Government Bond	0.86	0.68	0.54	0.65	1.80	2.15
UK 10-Year Government Bond	0.26	0.23	0.09	0.17	0.69	1.92
Germany 10-Year Government Bond	-0.62	-0.52	-0.55	-0.46	-0.36	0.52
Japan 10-Year Government Bond	0.04	0.02	0.02	0.03	-0.12	0.30

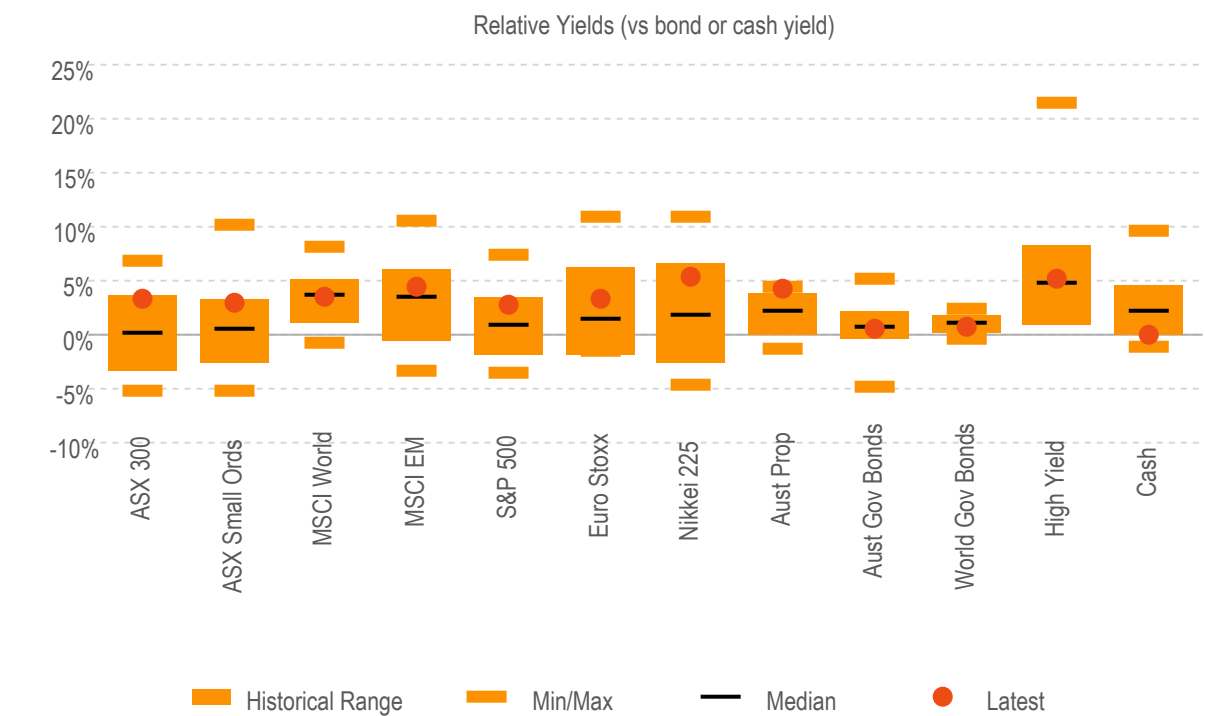
Source: Refinitiv Datastream

*Price Index

Asset class yields relative to history

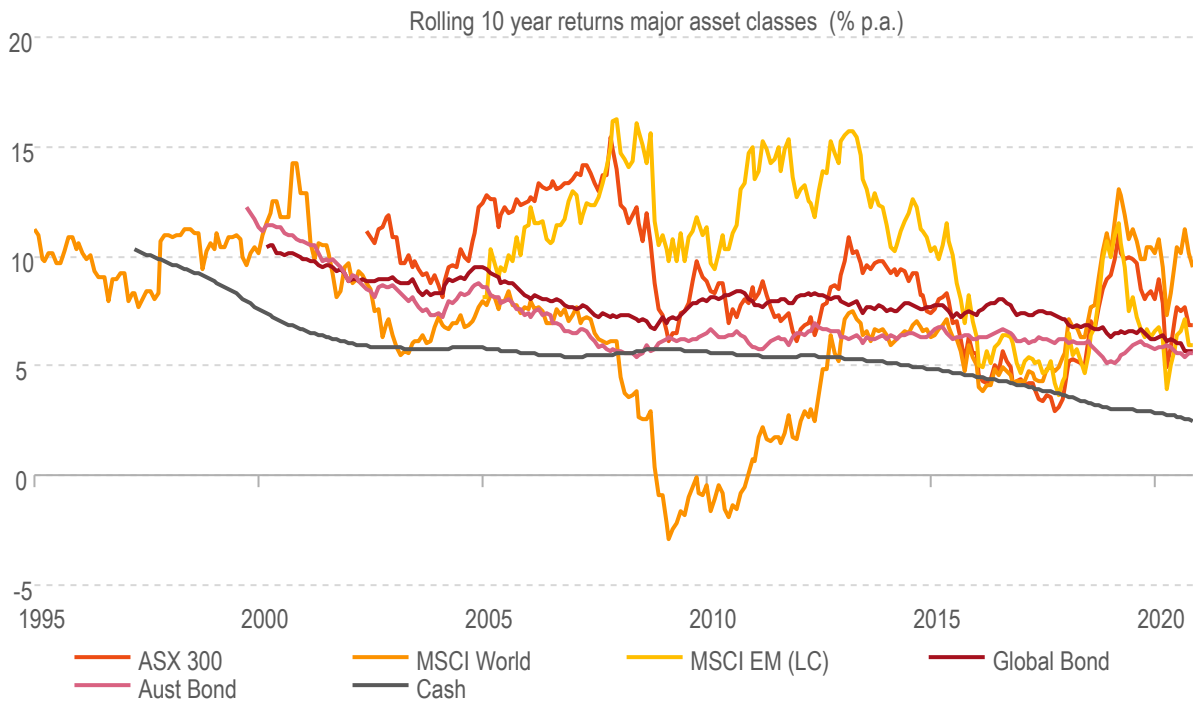


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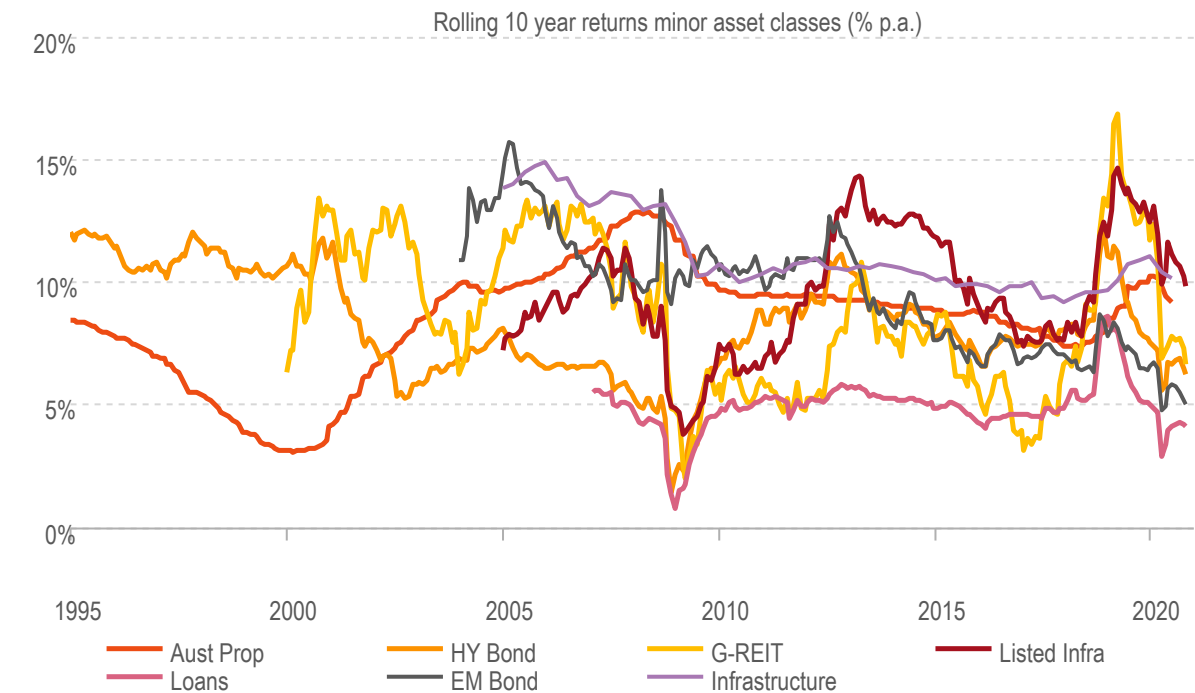


Source: Refinitiv Datastream

Asset class long-term returns

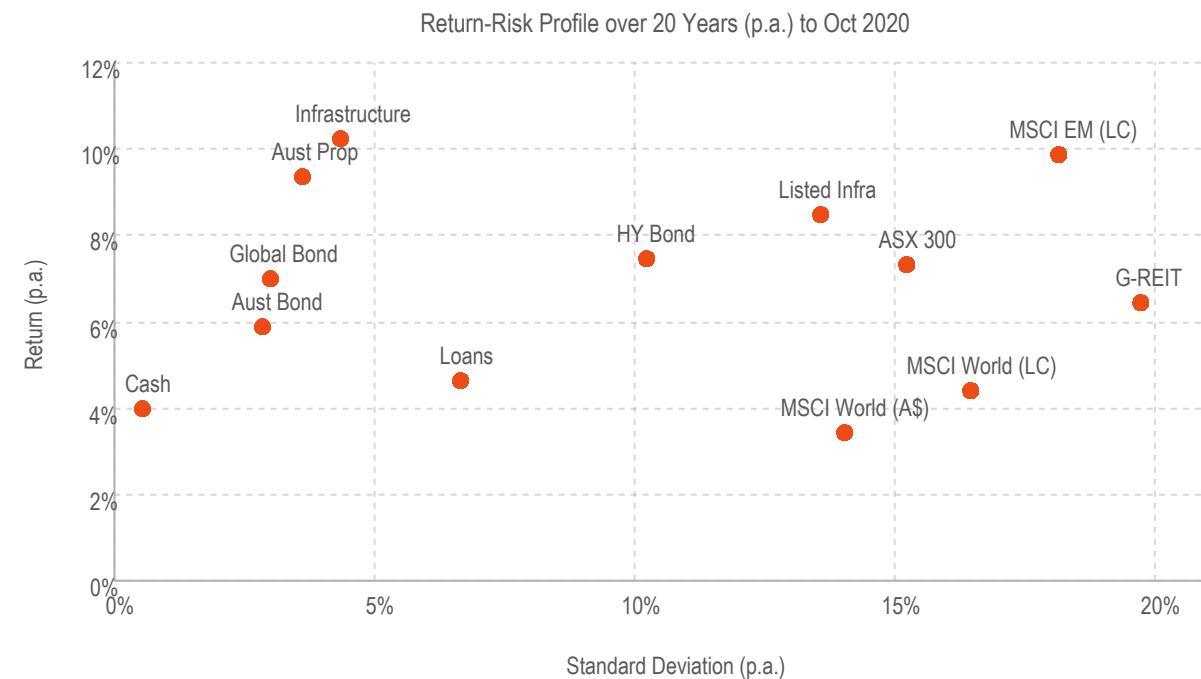
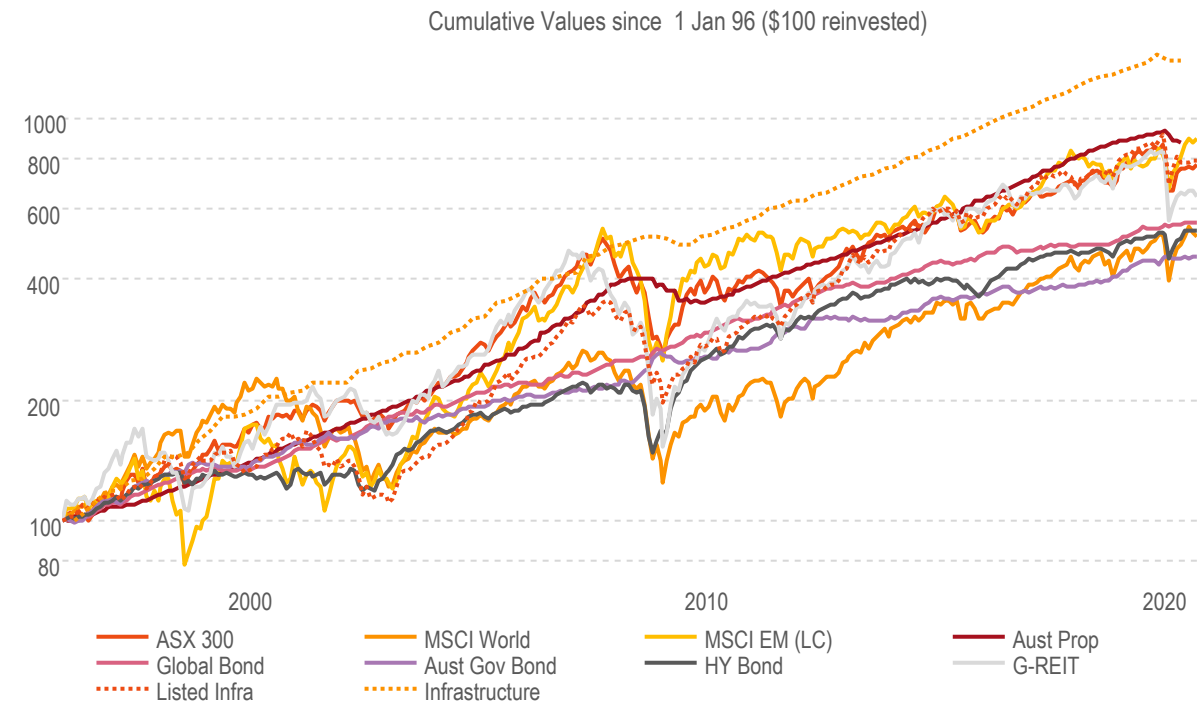


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Asset class long-term returns





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