

Monthly Market Snapshot

May 2021

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

Market Commentary

A surge in COVID-19 cases in India, and the resulting strain on the country's health system and economy, has highlighted the need for swift global vaccination rollouts. Established rollouts, particularly in developed markets like the US and UK, saw fewer COVID-19 infection rates than their emerging market counterparts over the month, where rollouts have been slower to be implemented.

Inflation returns surprised markets over the month prompting speculation as to whether or not the uptick is persistent or temporary and how regulators may respond. As a result, equity markets only finished slightly positive by month end. Emerging markets produced a positive return, while developed markets were a small positive for the month and Australian equities provided a small positive return.

China's economic recovery continued in May due to strong global demand for manufactured goods, while business conditions and PMI data were mixed. Chinese authorities have implemented a three-child policy to provide a boost to population growth.

Economic figures out of the US continue to show improvement in retail sales, manufacturing and services data. Inflation data for May was higher than expected, prompting The Federal Reserve (The Fed) to flag considerations of tapering its bond purchases. Wage growth data for May from the US has been strong.

Economic output and sentiment across Europe showed small improvements. Vaccination rates have picked up after enduring delays in previous months, positively impacting the services and retail sectors.

The vaccine rollout in the UK continued as lockdown measures were further eased. Positive retail sales data indicated an improvement to consumer sentiment.

Domestically, the Reserve Bank of Australia (RBA) reiterated the cash rate would remain unchanged until at least 2024. The domestic economic recovery has been quicker than expected but inflation and wage pressures are subdued. The RBA continue to monitor lending standards in response to concerns of strengthening house markets, noting an increase of borrowing by investors over the month.

The AUD fell against most major currencies, most notably against the EUR and GBP and rose slightly against the JPY. Oil prices gained for the month. The iron ore and copper prices hit all time highs.

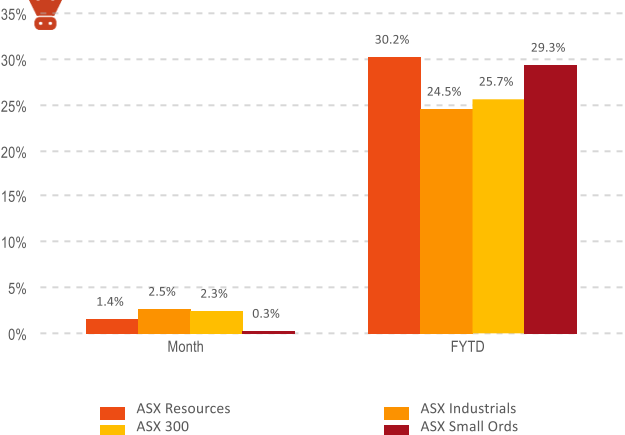
Government bond yields fell slightly. Bond indices produced slightly positive returns over the month.

Listed property produced small positive returns while listed infrastructure returns were flat.

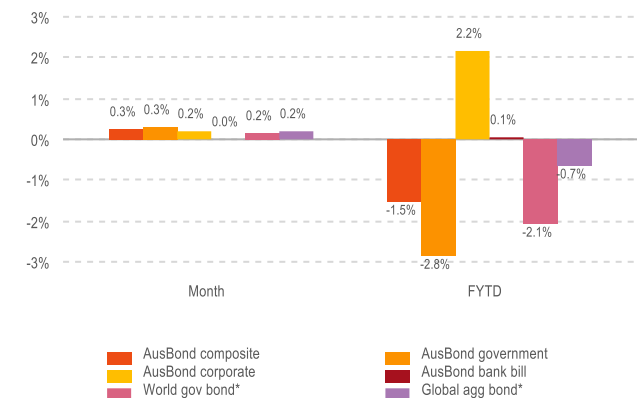
May 2021



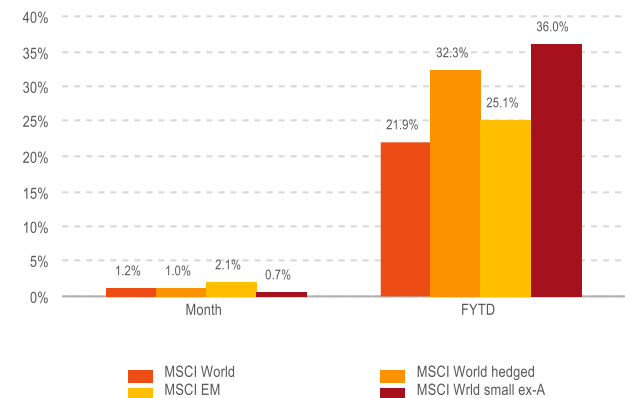
Australian Equities



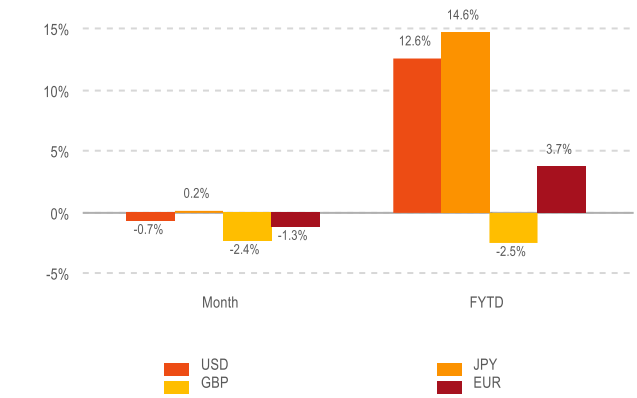
Fixed Income



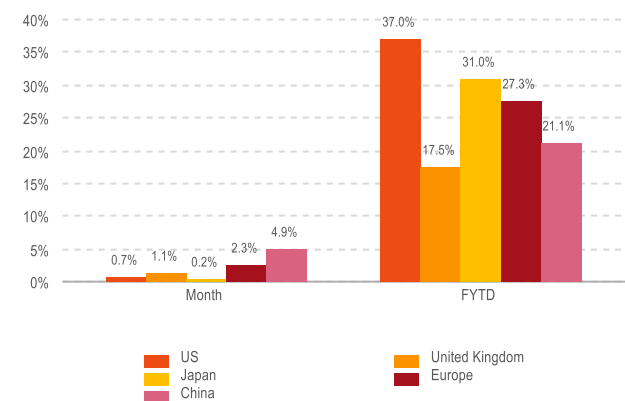
International Equities (\$A)



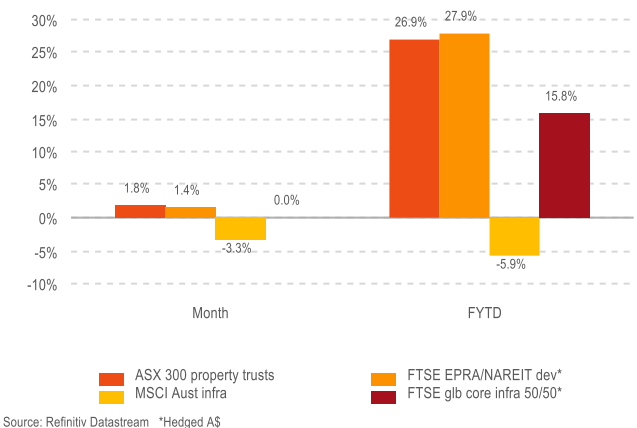
Australian Dollar



International Equities











Real Assets



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

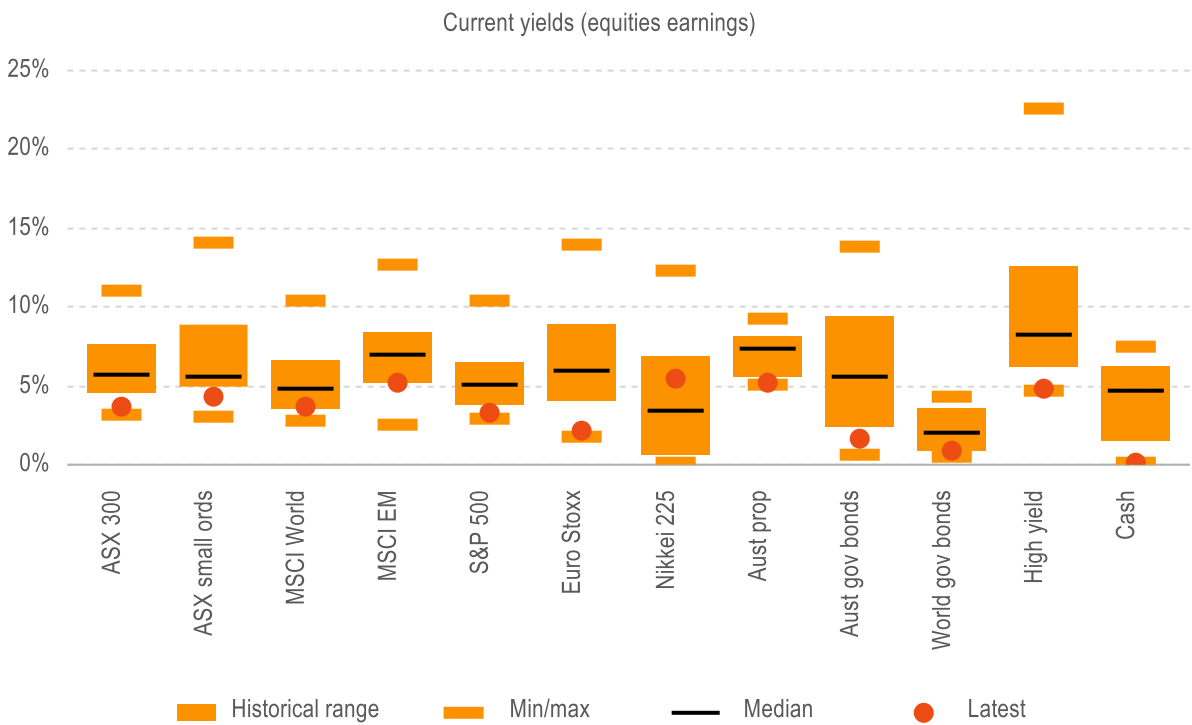
May 2021

| | Index Value | Month | 3 Months | FYTD | 1 Year | 5 Yr p.a. |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|  Australian Equities | | | | | | |
| S&P/ASX 300 Accum. Index | 7,156 | 2.3% | 8.5% | 25.7% | 28.7% | 10.2% |
| S&P/ASX 300 Accum. Industrials Index | 10,929 | 2.5% | 10.0% | 24.5% | 27.8% | 8.4% |
| S&P/ASX 300 Accum. Resources Index | 5,491 | 1.4% | 3.1% | 30.2% | 32.3% | 19.4% |
| ASX Small Caps Accum. Index | 3,291 | 0.3% | 6.1% | 29.3% | 26.7% | 10.3% |
|  International Equities | | | | | | |
| MSCI World Index (\$A) | 4,305 | 1.2% | 9.7% | 21.9% | 20.6% | 12.7% |
| MSCI World Index (Hedged \$A) | 3,881 | 1.0% | 9.5% | 32.4% | 35.5% | 13.6% |
| MSCI Emerging Markets Index (\$A) | 1,284 | 2.1% | 3.3% | 25.1% | 29.5% | 12.4% |
| MSCI World ex-Aus Small Cap Index (\$A) | 600 | 0.7% | 7.0% | 36.0% | 34.4% | 12.4% |
| US (S&P 500 Index in USD)* | 4,204 | 0.5% | 10.3% | 35.6% | 38.1% | 14.9% |
| US Tech (NASDAQ Index in USD)* | 13,749 | -1.5% | 4.2% | 36.7% | 44.9% | 22.7% |
| United Kingdom (FTSE 100 Index in GBP)* | 7,023 | 0.8% | 8.3% | 13.8% | 15.6% | 2.4% |
| Japan (Nikkei 225 Index in JPY)* | 28,860 | 0.2% | -0.4% | 29.5% | 31.9% | 10.9% |
| Europe (Stoxx 50 Index in EUR)* | 4,039 | 1.6% | 11.1% | 24.9% | 32.4% | 5.7% |
| China (Shanghai Composite Index in CNY)* | 3,615 | 4.9% | 3.0% | 21.1% | 26.8% | 4.4% |
|  AUD versus ... | | | | | | |
| USD | 0.77 | -0.7% | -1.3% | 12.6% | 16.0% | 1.3% |
| JPY | 84.77 | 0.2% | 2.0% | 14.6% | 18.9% | 1.0% |
| GBP | 0.54 | -2.4% | -2.9% | -2.5% | 0.9% | 2.0% |
| EUR | 0.63 | -1.3% | -1.6% | 3.7% | 5.6% | -0.5% |
|  Real Assets | | | | | | |
| ASX 300 Listed Property Trusts Accum. Index | 1,492 | 1.8% | 11.5% | 26.9% | 25.3% | 5.8% |
| FTSE EPRA / NAREIT Dev. Index (Hedged \$A) | 1,775 | 1.4% | 11.3% | 27.9% | 30.7% | 4.9% |
| MSCI Australia Infrastructure | 1,123 | -3.3% | 3.6% | -5.9% | -6.8% | 1.0% |
| FTSE Global Core Infra 50/50 Index (Hedged \$A) | 2,392 | 0.0% | 10.9% | 15.8% | 13.0% | 8.7% |
|  Oil and Commodities | | | | | | |
| Crude Oil (US\$/bbl) | 66.3 | 4.3% | 4.4% | 68.9% | 86.9% | 6.2% |
| Copper Spot (US\$/tonne) | 10,248 | 4.3% | 12.1% | 70.7% | 91.5% | 16.9% |
| Gold Spot (US\$/ounce) | 1,906 | 7.7% | 10.3% | 6.9% | 10.1% | 9.4% |
|  Australian Fixed Interest | | | | | | |
| Bloomberg AusBond Composite Index | 10,441 | 0.3% | 1.6% | -1.5% | -1.2% | 3.3% |
| Bloomberg AusBond Government Index | 10,816 | 0.3% | 1.9% | -2.8% | -2.7% | 3.2% |
| Bloomberg AusBond Corporate Index | 11,028 | 0.2% | 1.0% | 2.2% | 2.9% | 4.3% |
| Bloomberg AusBond Bank Bill Index | 9,021 | 0.0% | 0.0% | 0.1% | 0.1% | 1.3% |
|  Global Fixed Interest | | | | | | |
| FTSE WGBI ex-Aus (Hedged \$A) | 2,572 | 0.2% | -0.1% | -2.1% | -1.8% | 2.9% |
| Barclay's Global Agg. Bond Index (Hedged \$A) | 1,089 | 0.2% | 0.0% | -0.6% | -0.2% | 3.2% |
|  Fixed Income (yields) as at ... | May 2021 | Apr 2021 | Feb 2021 | Jun 2020 | May 2020 | May 2016 |
| Australia Bank Bill | 0.01 | 0.02 | 0.00 | 0.09 | 0.09 | 1.84 |
| Australia 10-Year Government Bond | 1.66 | 1.70 | 1.85 | 0.88 | 0.90 | 2.32 |
| US 10-Year Government Bond | 1.59 | 1.63 | 1.46 | 0.65 | 0.64 | 1.83 |
| UK 10-Year Government Bond | 0.80 | 0.84 | 0.82 | 0.17 | 0.18 | 1.43 |
| Germany 10-Year Government Bond | -0.18 | -0.20 | -0.26 | -0.46 | -0.45 | 0.15 |
| Japan 10-Year Government Bond | 0.08 | 0.09 | 0.17 | 0.03 | 0.01 | -0.11 |

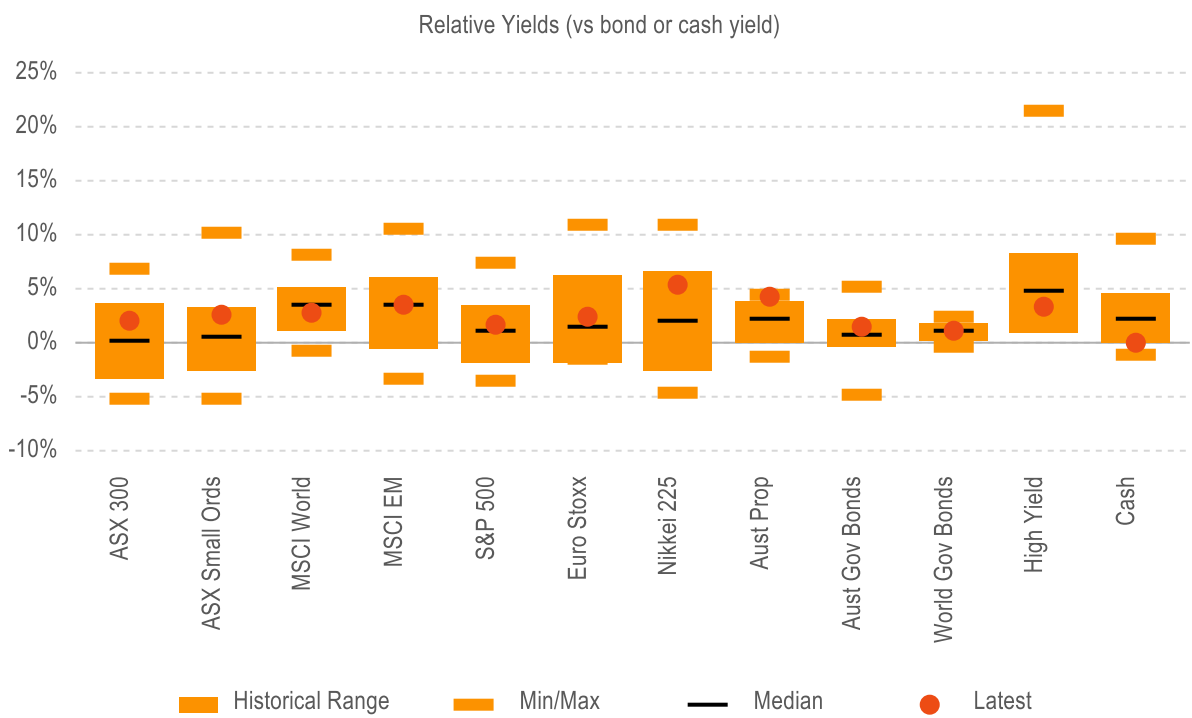
Source: Refinitiv Datastream

*Price Index

Asset class yields relative to history

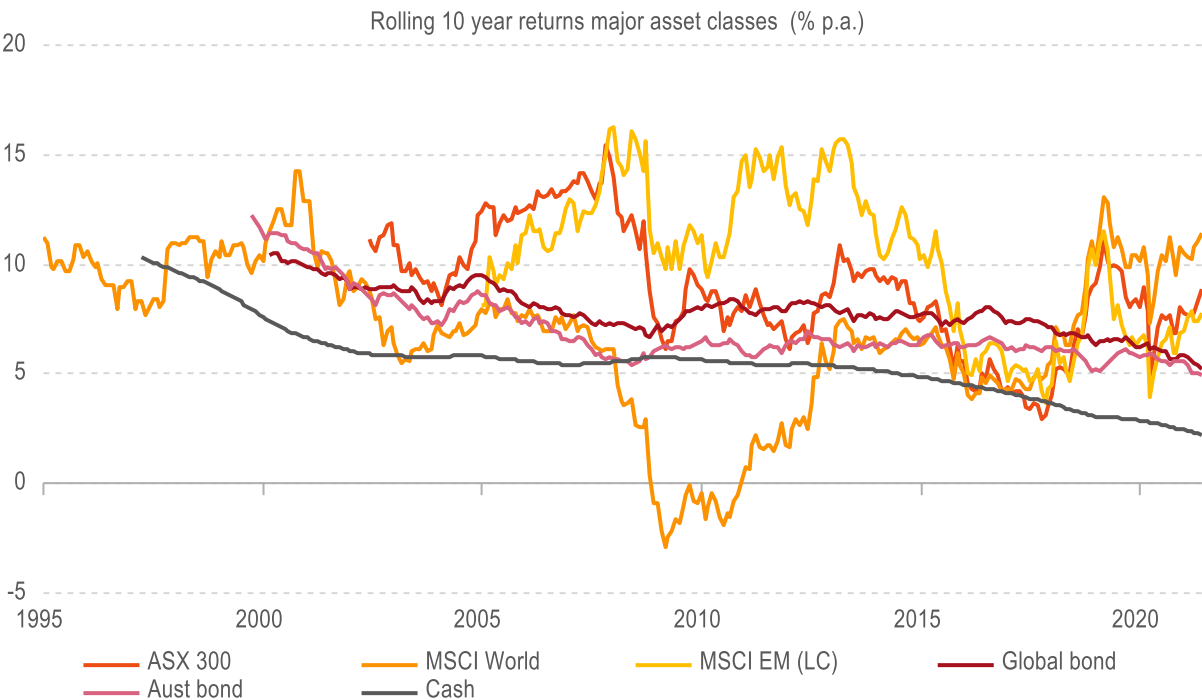


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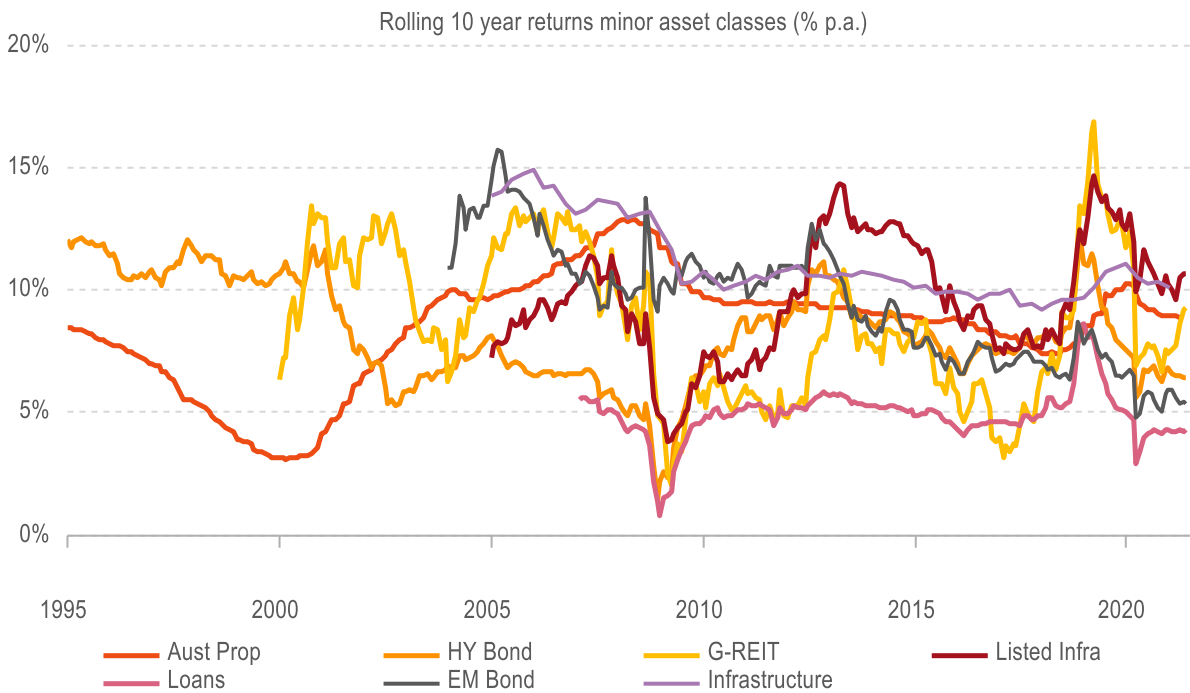


Source: Refinitiv Datastream

Asset class long-term returns



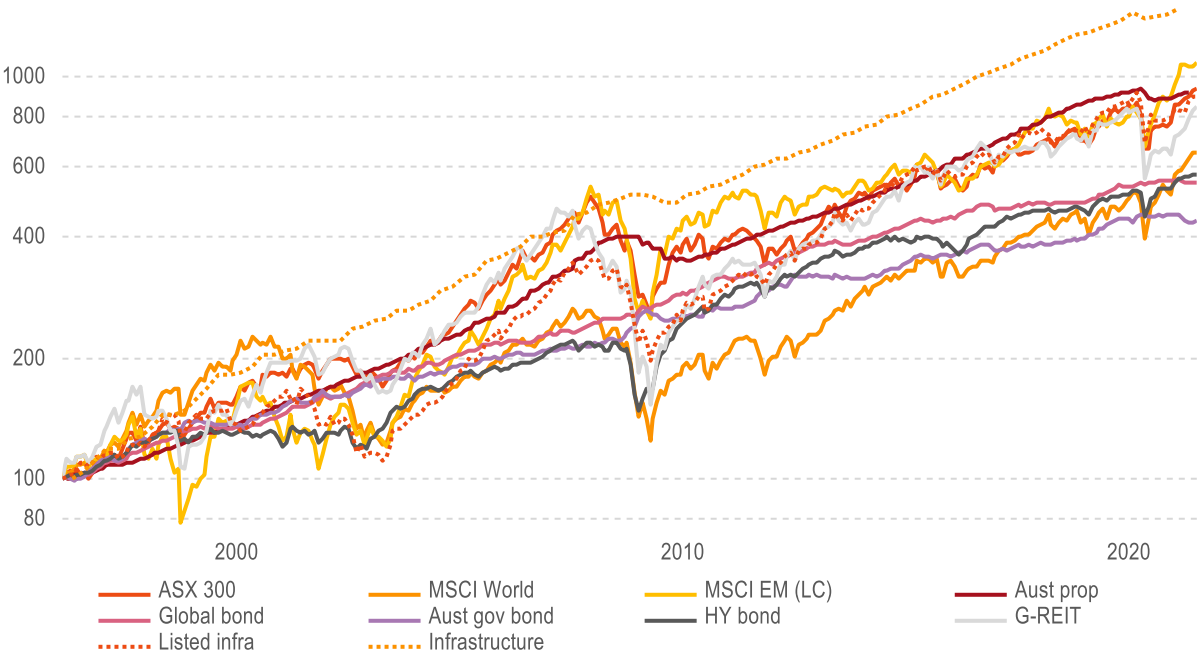
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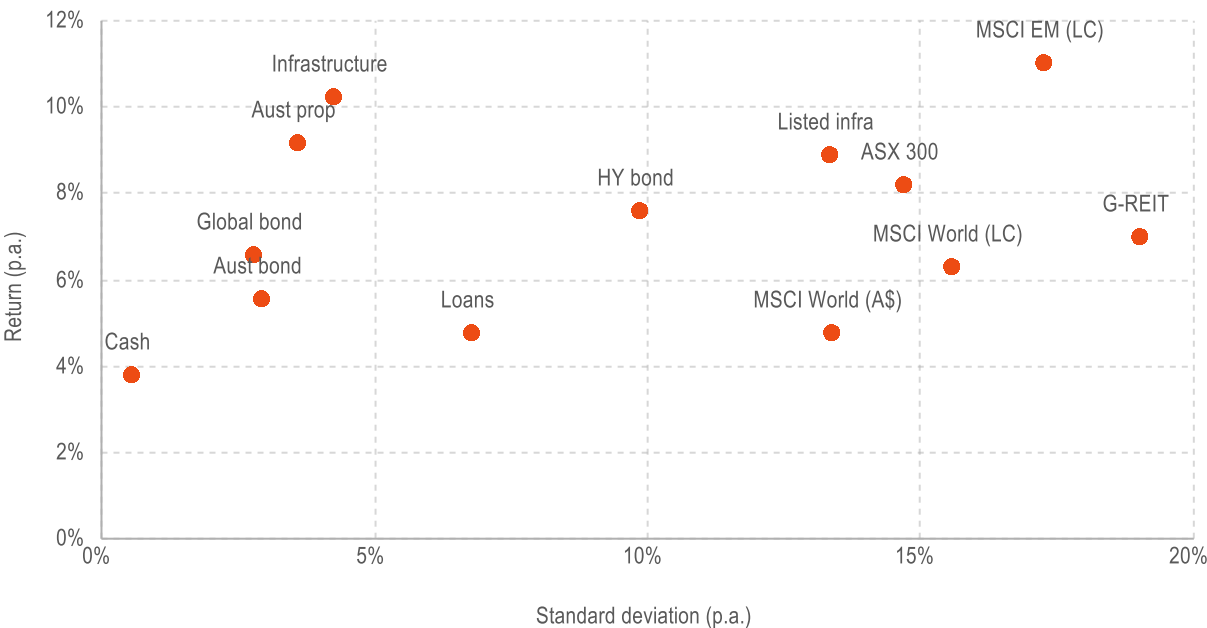
Asset class long-term returns

Cumulative values since 1 Jan 96 (\$100 reinvested)



Source: Refinitiv Datastream

Return-risk profile over 20 years (p.a.) to May 2021



Source: Refinitiv Datastream



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