

Monthly Market Snapshot

July 2021

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

Market Commentary

The Delta variant of COVID-19 continues to spread widely, including large numbers of new cases in the US and UK, but to date deaths from COVID have not risen as sharply. As restrictions are eased in response to vaccination levels global economic activity continues to rebound and World equities again produced a positive return in July.

In the US, business sentiment remains at elevated levels, including increasingly positive sentiment in the services sector. Corporate earnings reported in the US have been particularly positive to date, with the large proportion of stocks that have released earnings beating analysts' expectations. US equity markets continued to perform strongly in July and outperform the World index.

Business sentiment and activity is improving in Europe, as lockdown restrictions are eased, and economic growth improves. However, European equities were broadly flat over the month.

Japanese equities were negative in July, despite the opening of the Olympics in Tokyo, which are effectively a spectator-free event given government restrictions. COVID-19 new cases are reaching new highs in Japan, while vaccination rates lag leading developed markets.

Australian equities produced a positive return for the month, despite the implementation of lockdowns in response to COVID-19 outbreaks that will likely result in a contraction in economic growth. The positive return was driven by the Resources sector that recorded large gains. Despite the iron ore price falling from recent peak levels, other commodity prices such as copper and specifically the price of coal have risen significantly.

Emerging markets equities were negative over the month, driven by the material negative returns in Chinese equities. Chinese equities were impacted by regulatory changes in the education sector that follows ongoing intervention in the Technology sector.

In addition, economic growth in China is weakening, including a slowdown in growth of infrastructure and property construction activity.

The US Federal Reserve kept interest rates unchanged and reiterated its support for the current stance on monetary policy remaining accommodative, although some Committee members have made statements that suggest interest rates could start to rise earlier than expected. Inflation data showed a sharp spike up over the last 12 months, both a function of the base effect of the initial COVID-19 downturn, as well as increasing energy prices and supply chain constraints.

The European Central Bank released its strategic review in July, including adopting a symmetric 2% inflation target over the medium term compared to the previous below but close to 2% target. This is consistent with announcements from other central banks, indicating a willingness to support inflation at slightly higher levels than in the recent past.

Domestically, the Reserve Bank of Australia (RBA) left the cash rate at 0.10% and retained the target for the April 2024 government bond, which means the maturity of the yield target will naturally decline from three years over time. The RBA stated that its central scenario for the economy is that conditions to raise rates will not be met before 2024.

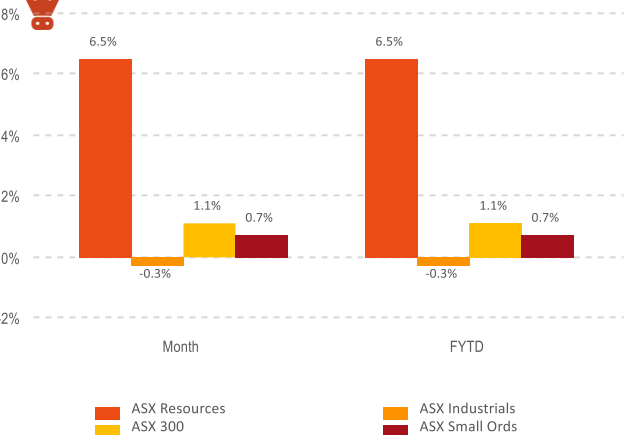
Bond yields fell over the month producing solid positive returns for government bonds. This was somewhat inconsistent with the improving economic growth, higher inflation and expectations that central banks would therefore raise rates earlier than had been expected. Returns from corporate bonds were somewhat lower, as credit spreads increased a little in July.

Listed infrastructure and property stocks produced small positive returns, with valuations supported by the fall in bond yields.

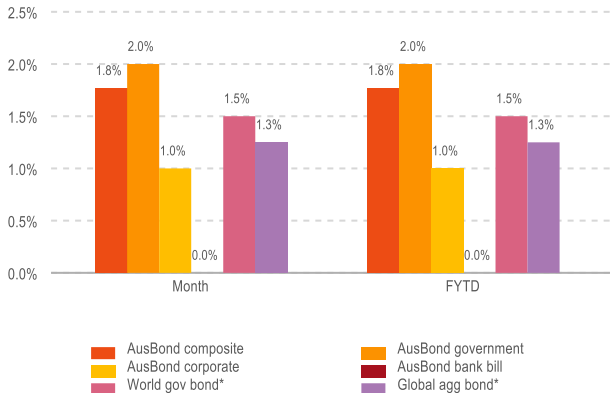
July 2021



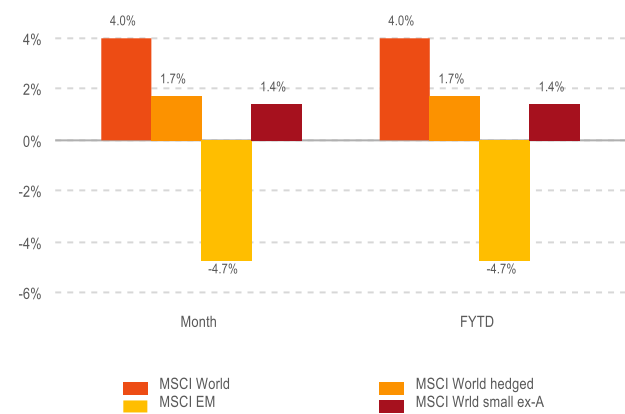
Australian Equities



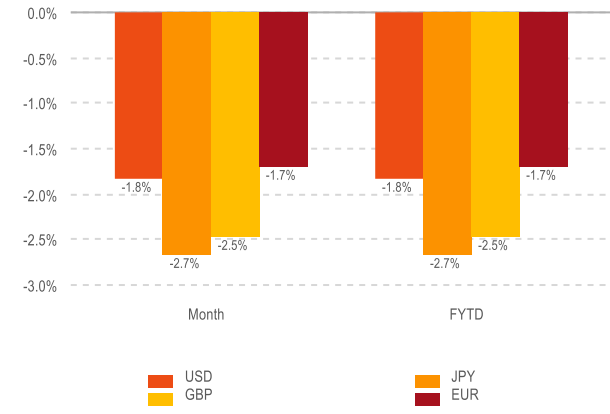
Fixed Income



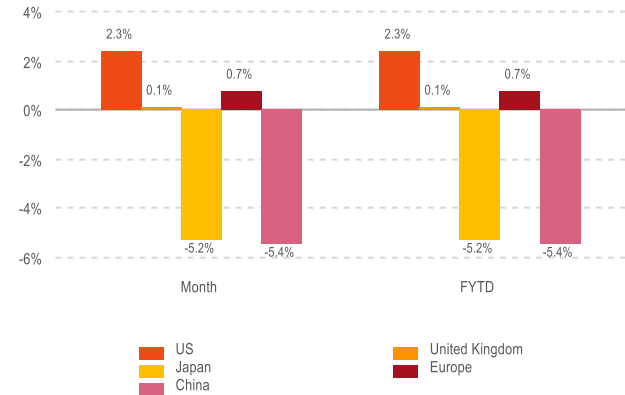
International Equities (\$A)



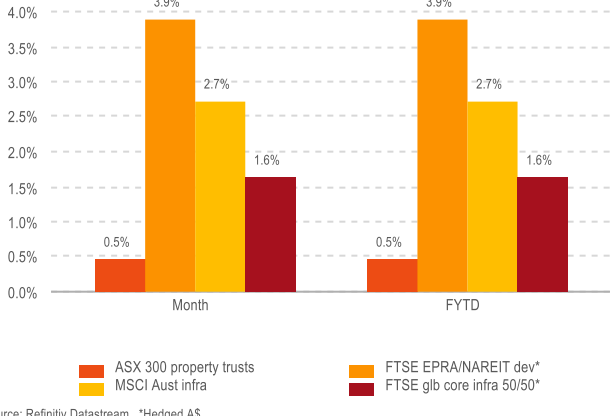
Australian Dollar



International Equities











Real Assets



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

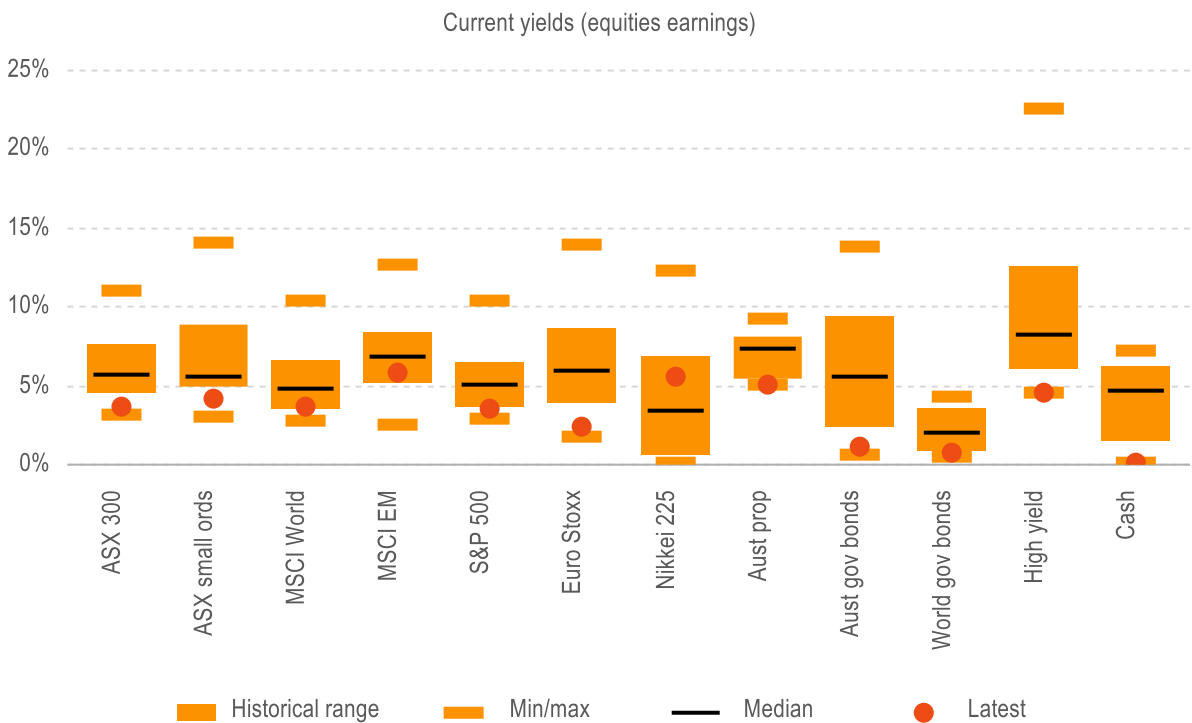
July 2021

	Index Value	Month	3 Months	FYTD	1 Year	5 Yr p.a.
	Australian Equities					
	S&P/ASX 300 Accum. Index	7,387	1.1%	5.8%	1.1%	26.5%
	S&P/ASX 300 Accum. Industrials Index	11,181	-0.3%	5.1%	-0.3%	25.7%
	S&P/ASX 300 Accum. Resources Index	5,861	6.5%	8.3%	6.5%	29.7%
	ASX Small Caps Accum. Index	3,406	0.7%	4.1%	0.7%	29.9%
	International Equities					
	MSCI World Index (\$A)	4,676	4.0%	10.1%	4.0%	31.1%
	MSCI World Index (Hedged \$A)	4,043	1.7%	5.2%	1.7%	37.8%
	MSCI Emerging Markets Index (\$A)	1,255	-4.7%	0.5%	-4.7%	16.7%
	MSCI World ex-Aus Small Cap Index (\$A)	627	1.4%	5.5%	1.4%	41.0%
	US (S&P 500 Index in USD)*	4,395	2.3%	5.1%	2.3%	35.4%
	US Tech (NASDAQ Index in USD)*	14,673	1.2%	5.1%	1.2%	38.6%
	United Kingdom (FTSE 100 Index in GBP)*	7,032	-0.1%	0.9%	-0.1%	17.4%
	Japan (Nikkei 225 Index in JPY)*	27,284	-5.2%	-5.3%	-5.2%	22.1%
	Europe (Stoxx 50 Index in EUR)*	4,089	0.6%	2.9%	0.6%	27.5%
	China (Shanghai Composite Index in CNY)*	3,397	-5.4%	-1.4%	-5.4%	3.4%
	AUD versus ...					
	USD	0.74	-1.8%	-5.1%	-1.8%	3.1%
	JPY	80.86	-2.7%	-4.5%	-2.7%	7.3%
	GBP	0.53	-2.5%	-5.1%	-2.5%	-4.1%
	EUR	0.62	-1.7%	-3.2%	-1.7%	2.1%
	Real Assets					
	ASX 300 Listed Property Trusts Accum. Index	1,561	0.5%	7.9%	0.5%	32.9%
	FTSE EPRA / NAREIT Dev. Index (Hedged \$A)	1,868	3.9%	7.2%	3.9%	33.6%
	MSCI Australia Infrastructure	1,182	2.7%	2.7%	2.7%	0.0%
	FTSE Global Core Infra 50/50 Index (Hedged \$A)	2,414	1.6%	1.6%	1.6%	15.5%
	Oil and Commodities					
	Crude Oil (US\$/bbl)	73.9	0.4%	16.3%	0.4%	85.9%
	Copper Spot (US\$/tonne)	9,701	3.7%	-1.3%	3.7%	50.6%
	Gold Spot (US\$/ounce)	1,823	3.3%	3.0%	3.3%	-6.0%
	Australian Fixed Interest					
	Bloomberg AusBond Composite Index	10,698	1.8%	2.7%	1.8%	0.5%
	Bloomberg AusBond Government Index	11,142	2.0%	3.3%	2.0%	-0.2%
	Bloomberg AusBond Corporate Index	11,175	1.0%	1.6%	1.0%	2.6%
	Bloomberg AusBond Bank Bill Index	9,021	0.0%	0.0%	0.0%	0.1%
	Global Fixed Interest					
	FTSE WGBI ex-Aus (Hedged \$A)	2,624	1.5%	2.2%	1.5%	-1.0%
	Barclay's Global Agg. Bond Index (Hedged \$A)	1,108	1.3%	2.0%	1.3%	0.0%
	Fixed Income (yields) as at ...					
		Jul 2021	Jun 2021	Apr 2021	Jun 2021	Jul 2020
	Australia Bank Bill	0.01	0.01	0.02	0.01	0.09
	Australia 10-Year Government Bond	1.19	1.51	1.70	1.51	0.87
	US 10-Year Government Bond	1.24	1.44	1.63	1.44	0.54
	UK 10-Year Government Bond	0.57	0.72	0.84	0.72	0.09
	Germany 10-Year Government Bond	-0.46	-0.20	-0.20	-0.20	-0.55
	Japan 10-Year Government Bond	0.02	0.05	0.09	0.05	0.02

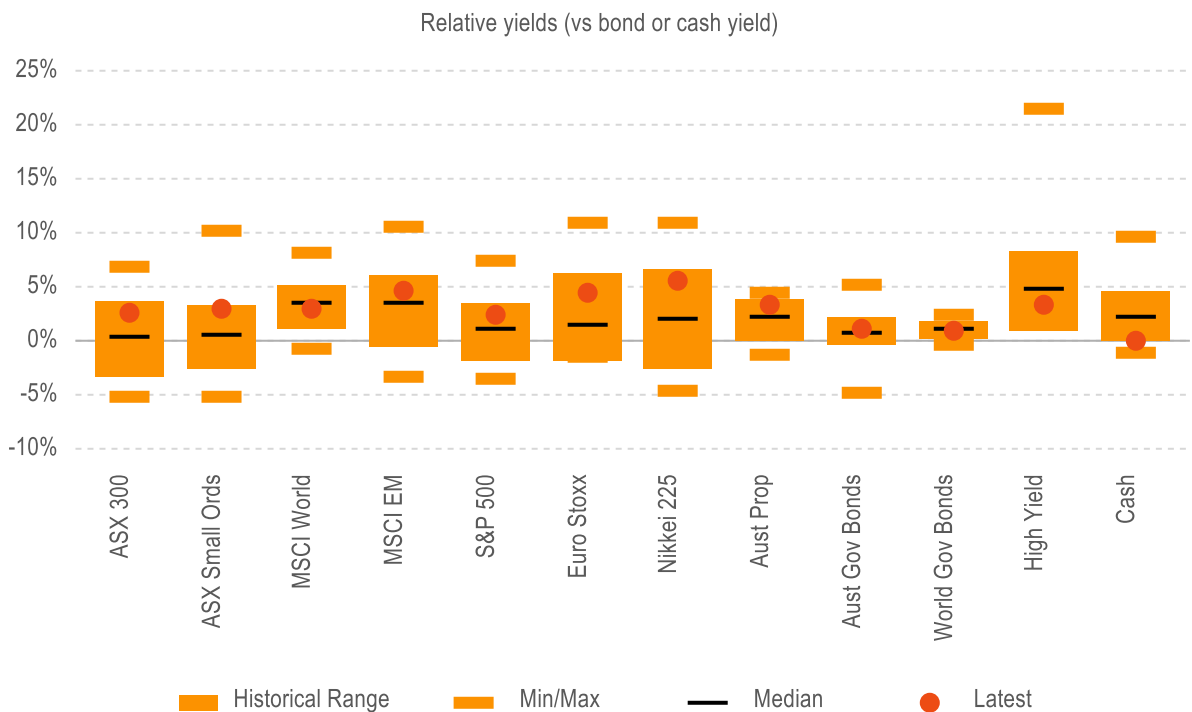
Source: Refinitiv Datastream

*Price Index

Asset class yields relative to history

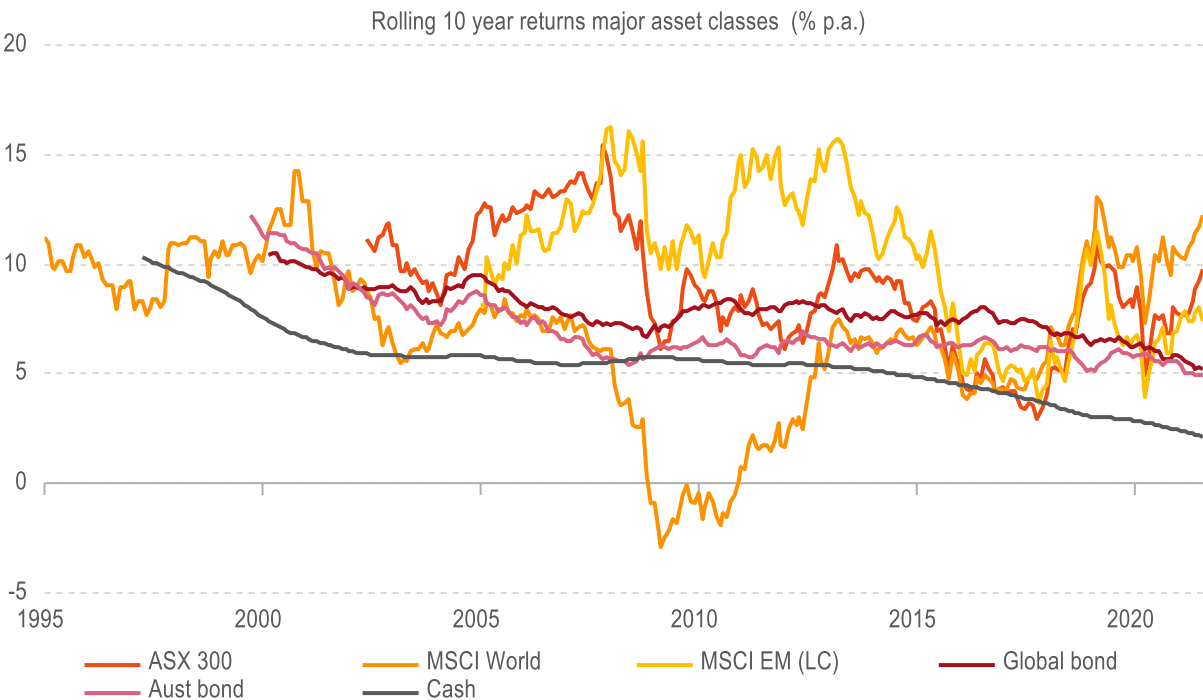


Source: Refinitiv Datastream

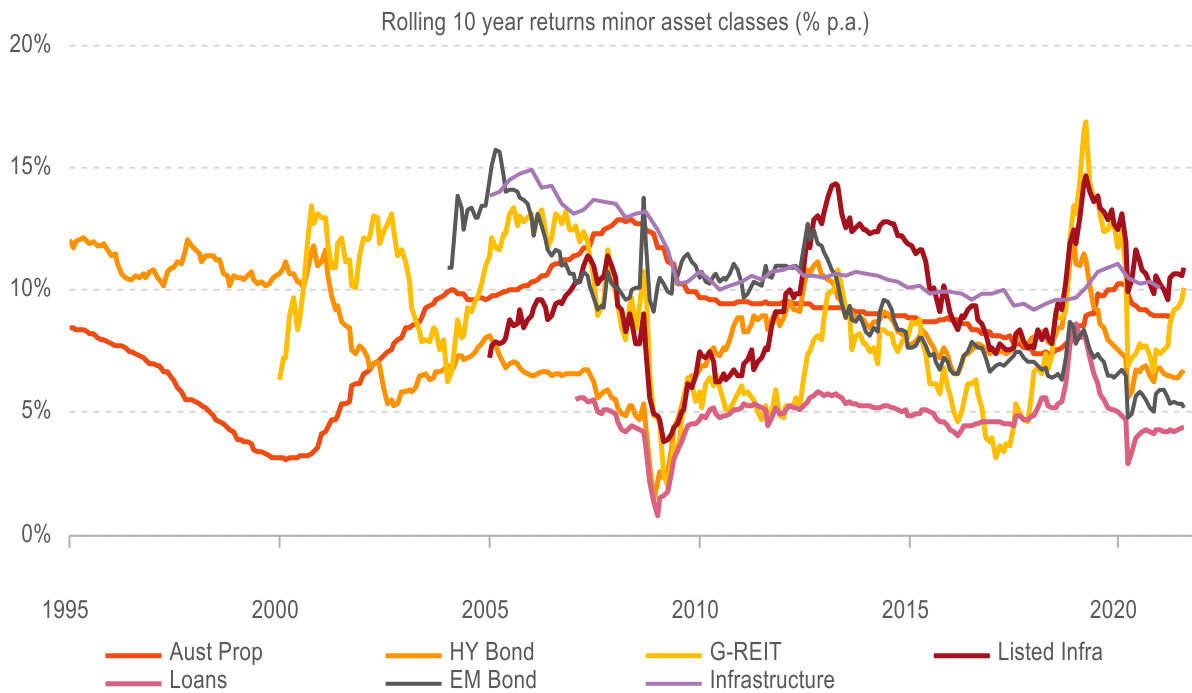


Source: Refinitiv Datastream

Asset class long-term returns



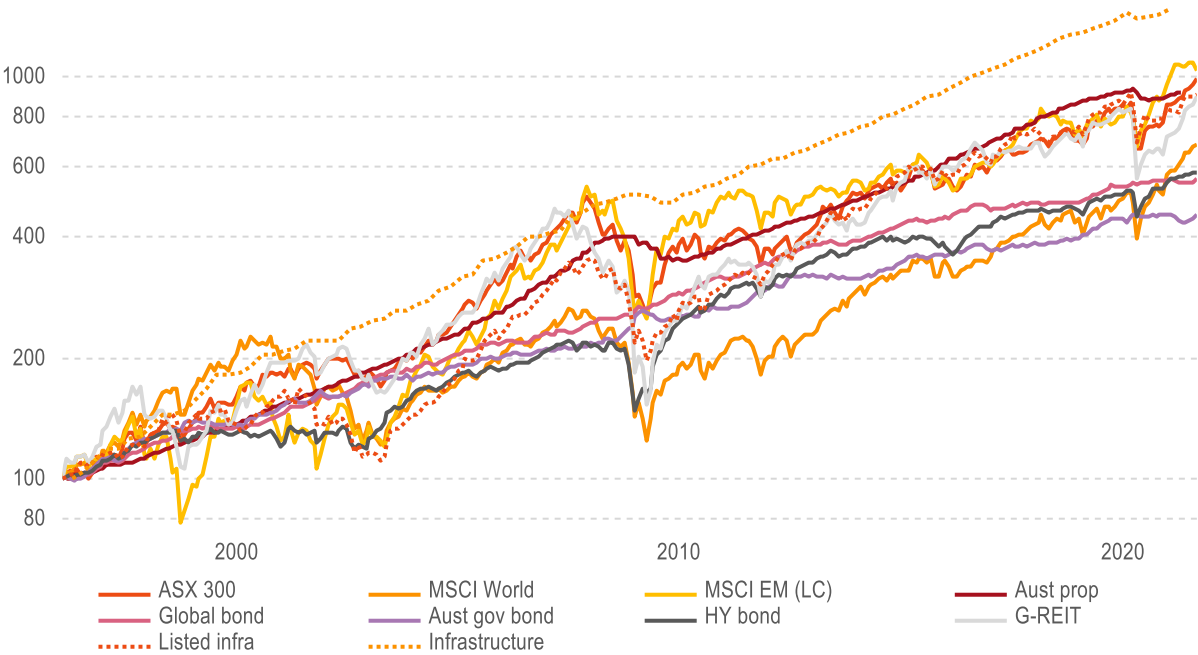
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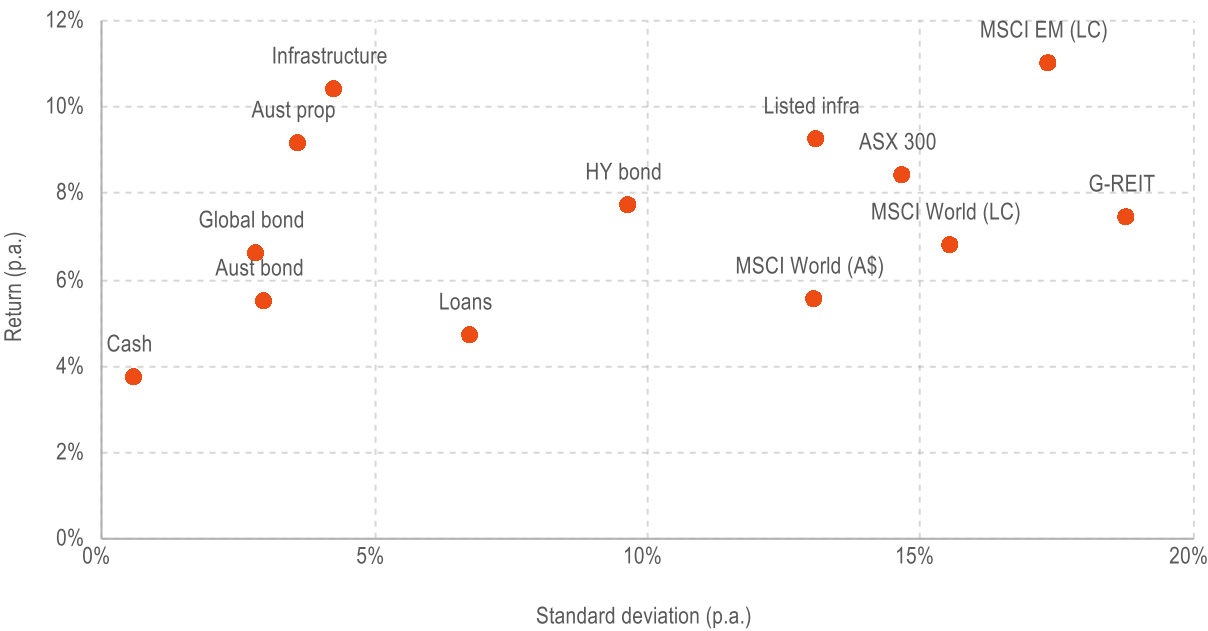
Asset class long-term returns

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



Source: Refinitiv Datastream

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



Source: Refinitiv Datastream



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