

Monthly Market Snapshot

October 2021

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

Market commentary

After falling in September, equity markets rebounded strongly in October supported by positive reported earnings.

US equities and the technology sector were particularly positive. The threat of a debt ceiling crisis in the US was deferred, with Congress passing a measure to allow extra borrowing but it is estimated this will only be sufficient until December.

Australian equities produced a small positive return, but resources stocks were negative again as the iron ore price continued to fall.

The oil price continued to rise strongly in October and the price of oil has now more than doubled over the last 12 months. Energy markets are being impacted by the sharp rise in demand and supply constraints. In Europe, natural gas prices have been linked to geopolitical positioning by Russia, while in China coal shortages have contributed to electricity blackouts that have impacted manufacturing activity.

Supply chain constraints and rising energy prices have contributed to inflation remaining high. This has led to markets pricing in a faster pace of interest rate rises in the future. Bond yields increased over the month producing negative returns from fixed income.

The Australian 10-year government bond yield increased materially to be above 2% at the end of October. The yield has not been at that level since early 2019 and is now back above the US 10-year bond yield. The RBA subsequently advised at its meeting in early November, that it had discontinued targeting the April 2024 bond yield. However, it continues to advise that it does not expect to start raising rates until 2024, while market pricing changed in the month to forecast multiple rate rises in 2022.

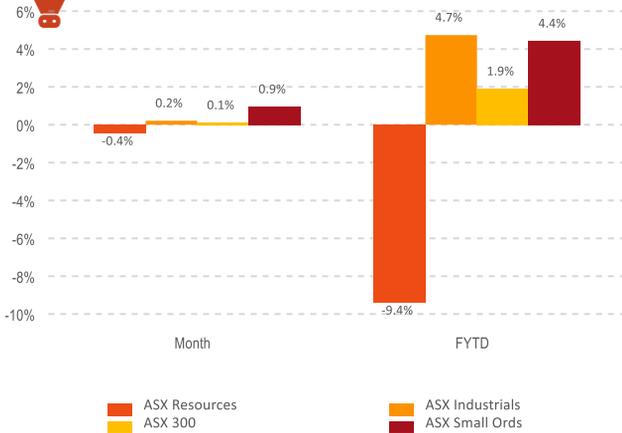
In response to the sharp rise in Australian bond yields, and the yield premium relative to other developed markets, the AUD increased meaningfully against all major currencies over October. This had a negative impact on unhedged international investments over the month.

Although rising interest rates is often negative for real assets, property and infrastructure stocks produced strong returns over the month, although Australian assets unperformed, probably impacted by the larger rise in Australian bond yields.

October 2021



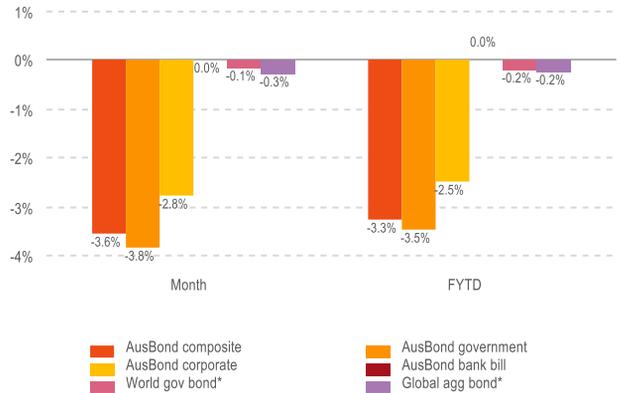
Australian equities



Source: Refinitiv Datastream



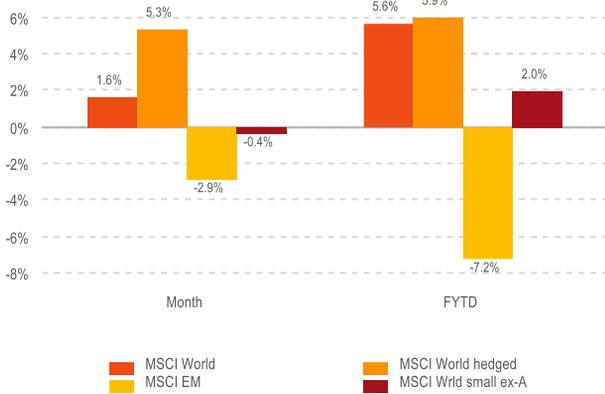
Fixed income



Source: Refinitiv Datastream



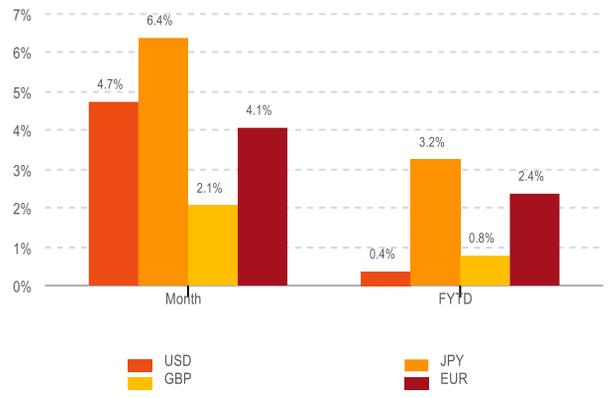
International equities (\$)



Source: Refinitiv Datastream



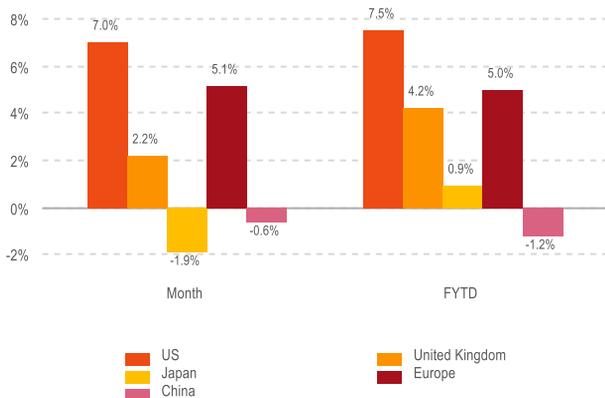
Australian dollar



Source: Refinitiv Datastream



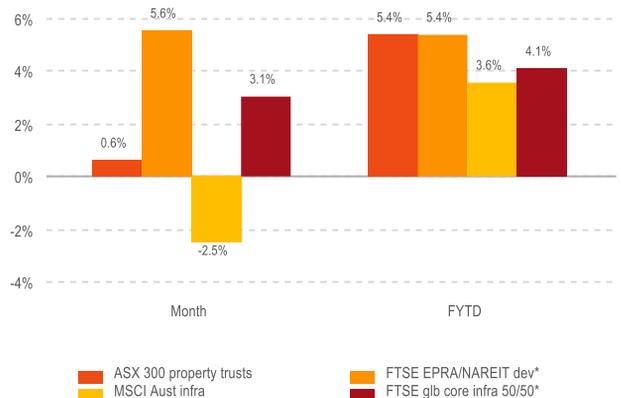
International equities



Source: Refinitiv Datastream



Real assets



Source: Refinitiv Datastream *Hedged A\$

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

October 2021

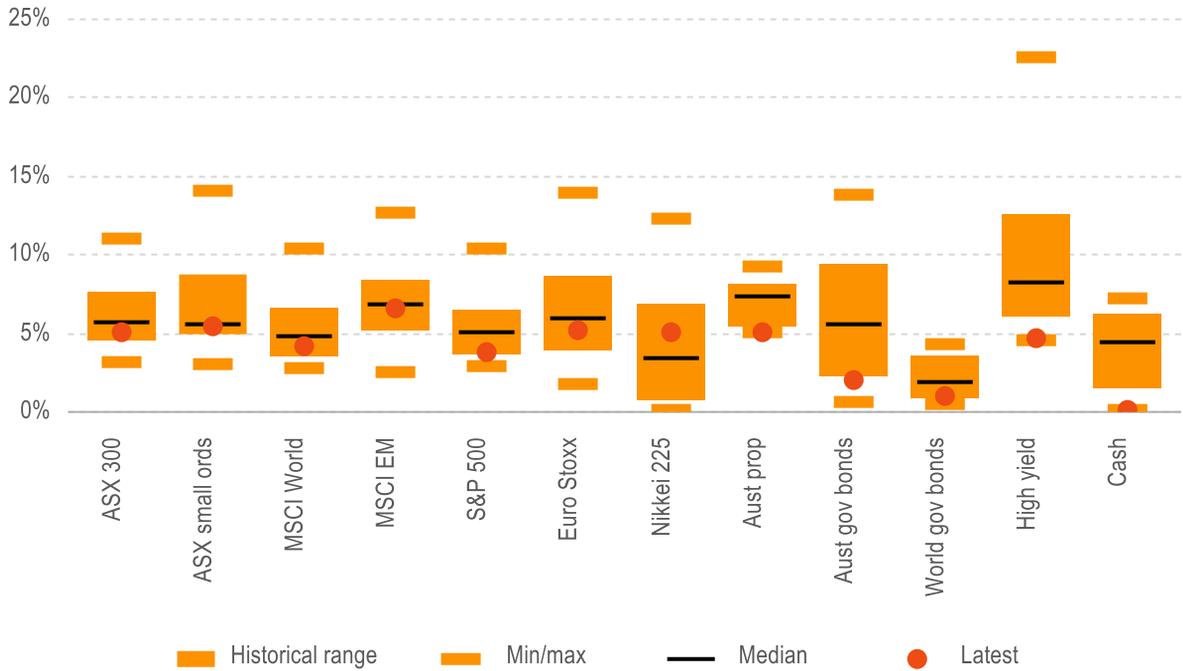
	Index Value	Month	3 Months	FYTD	1 Year	5 Yr p.a.
Australian Equities						
	S&P/ASX 300 Accum. Index	7,338	0.1%	0.5%	1.9%	11.2%
	S&P/ASX 300 Accum. Industrials Index	11,644	0.2%	4.7%	4.7%	10.6%
	S&P/ASX 300 Accum. Resources Index	4,798	-0.4%	-15.3%	-9.4%	13.7%
	ASX Small Caps Accum. Index	3,503	0.9%	3.7%	4.4%	11.4%
International Equities						
	MSCI World Index (\$A)	4,734	1.6%	1.6%	5.6%	15.7%
	MSCI World Index (Hedged \$A)	4,209	5.3%	5.9%	5.9%	14.5%
	MSCI Emerging Markets Index (\$A)	1,216	-2.9%	-3.3%	-7.2%	9.6%
	MSCI World ex-Aus Small Cap Index (\$A)	629	-0.4%	0.7%	2.0%	14.4%
	US (S&P 500 Index in USD)*	4,605	6.9%	4.2%	7.2%	16.7%
	US Tech (NASDAQ Index in USD)*	15,498	7.3%	4.9%	6.9%	24.5%
	United Kingdom (FTSE 100 Index in GBP)*	7,238	2.1%	2.2%	2.8%	0.7%
	Japan (Nikkei 225 Index in JPY)*	28,893	-1.9%	4.0%	0.4%	10.6%
	Europe (Stoxx 50 Index in EUR)*	4,251	5.0%	3.2%	4.6%	6.7%
	China (Shanghai Composite Index in CNY)*	3,547	-0.6%	4.0%	-1.2%	2.7%
AUD versus ...						
	USD	0.75	4.7%	2.2%	0.4%	-0.1%
	JPY	85.75	6.4%	5.8%	3.2%	1.4%
	GBP	0.55	2.1%	3.3%	0.8%	-2.6%
	EUR	0.65	4.1%	3.9%	2.4%	-1.5%
Real Assets						
	ASX 300 Listed Property Trusts Accum. Index	1,628	0.6%	6.4%	5.4%	9.8%
	FTSE EPRA / NAREIT Dev. Index (Hedged \$A)	1,885	5.6%	1.5%	5.4%	6.7%
	MSCI Australia Infrastructure	1,182	-2.5%	0.9%	3.6%	4.6%
	FTSE Global Core Infra 50/50 Index (Hedged \$A)	2,456	3.1%	2.0%	4.1%	8.8%
Oil and Commodities						
	Crude Oil (US\$/bbl)	83.6	11.2%	13.5%	13.5%	11.4%
	Copper Spot (US\$/tonne)	9,809	9.7%	0.1%	4.9%	15.2%
	Gold Spot (US\$/ounce)	1,777	0.9%	-2.9%	0.6%	6.9%
Australian Fixed Interest						
	Bloomberg AusBond Composite Index	10,170	-3.6%	-4.9%	-3.3%	2.6%
	Bloomberg AusBond Government Index	10,545	-3.8%	-5.4%	-3.5%	2.5%
	Bloomberg AusBond Corporate Index	10,788	-2.8%	-3.5%	-2.5%	3.5%
	Bloomberg AusBond Bank Bill Index	9,022	0.0%	0.0%	0.0%	1.2%
Global Fixed Interest						
	FTSE WGBI ex-Aus (Hedged \$A)	2,581	-0.1%	-1.7%	-0.2%	2.7%
	Barclay's Global Agg. Bond Index (Hedged \$A)	1,092	-0.3%	-1.3%	-0.2%	2.9%
Fixed Income (yields) as at ...						
		Oct 2021	Sep 2021	Jul 2021	Jun 2021	Oct 2020
	Australia Bank Bill	0.01	0.01	0.02	0.01	0.05
	Australia 10-Year Government Bond	2.07	1.50	1.16	1.51	0.82
	US 10-Year Government Bond	1.56	1.54	1.27	1.44	0.84
	UK 10-Year Government Bond	1.03	0.99	0.57	0.72	0.22
	Germany 10-Year Government Bond	-0.15	-0.21	-0.45	-0.20	-0.64
	Japan 10-Year Government Bond	0.09	0.06	0.02	0.05	0.03

Source: Refinitiv Datastream

*Price Index

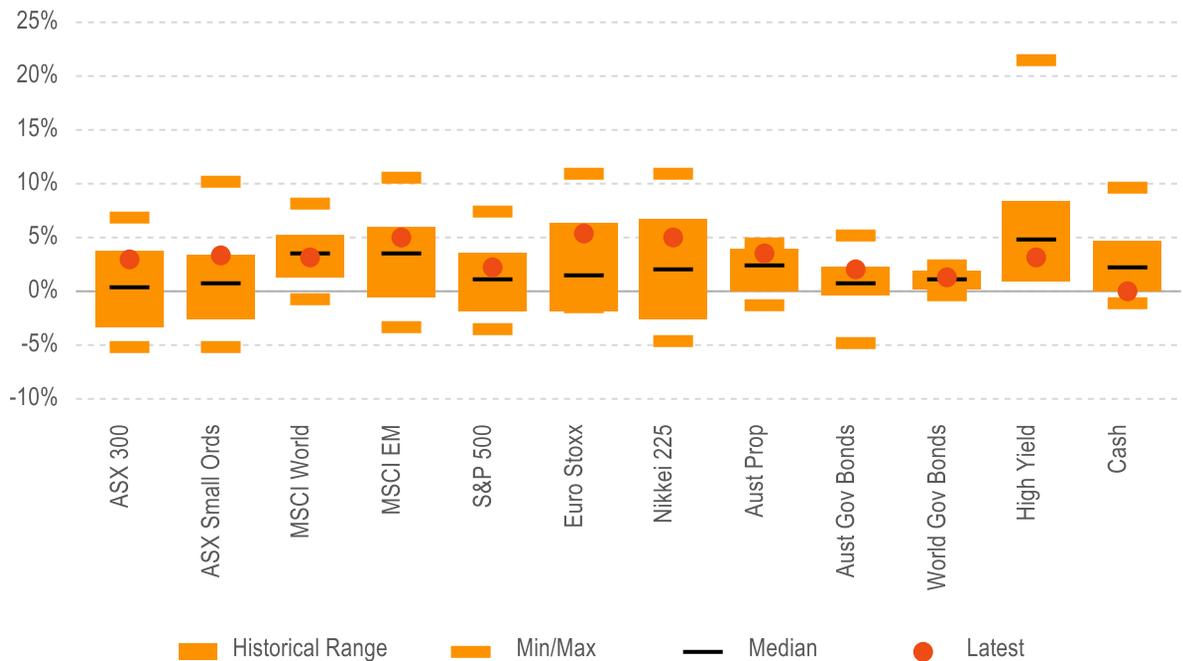
Asset class yields relative to history

Current yields (equities earnings)



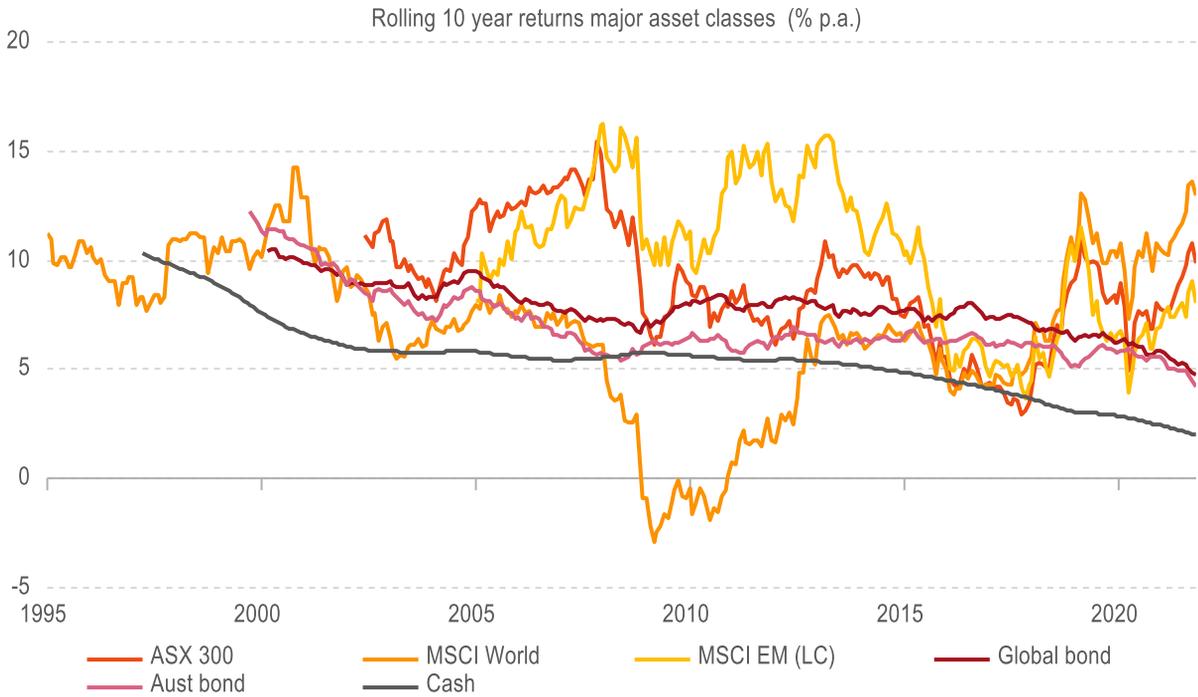
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Relative yields (vs bond or cash yield)

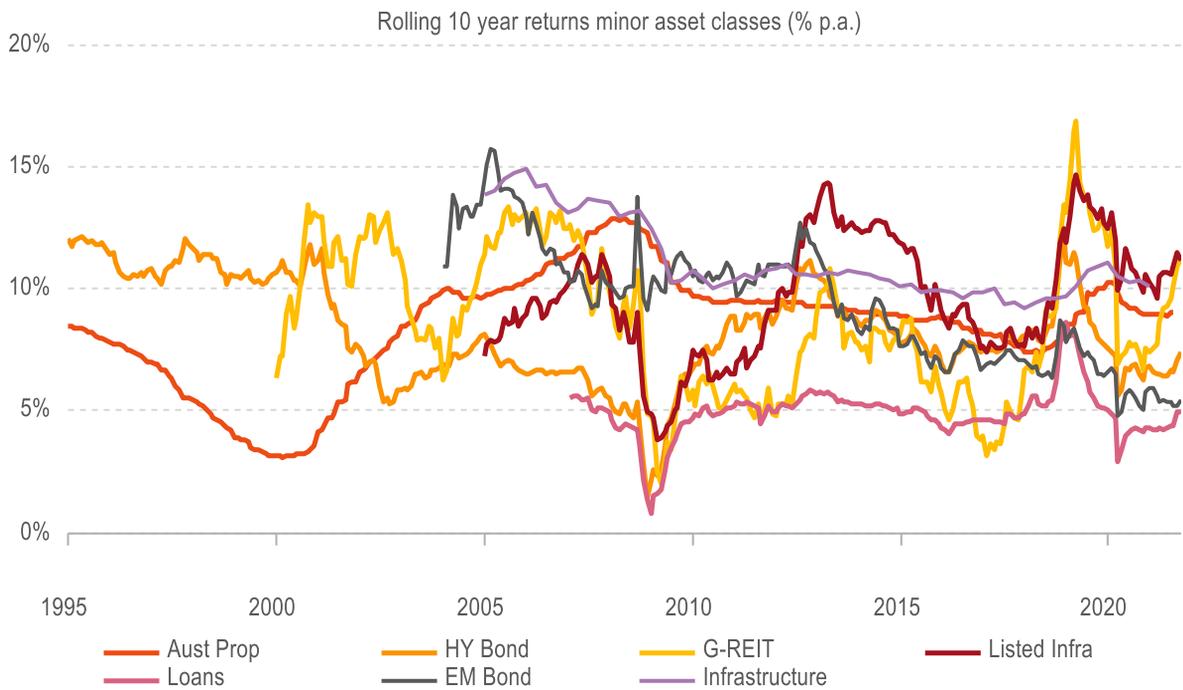


Source: Refinitiv Datastream

Asset class long-term returns



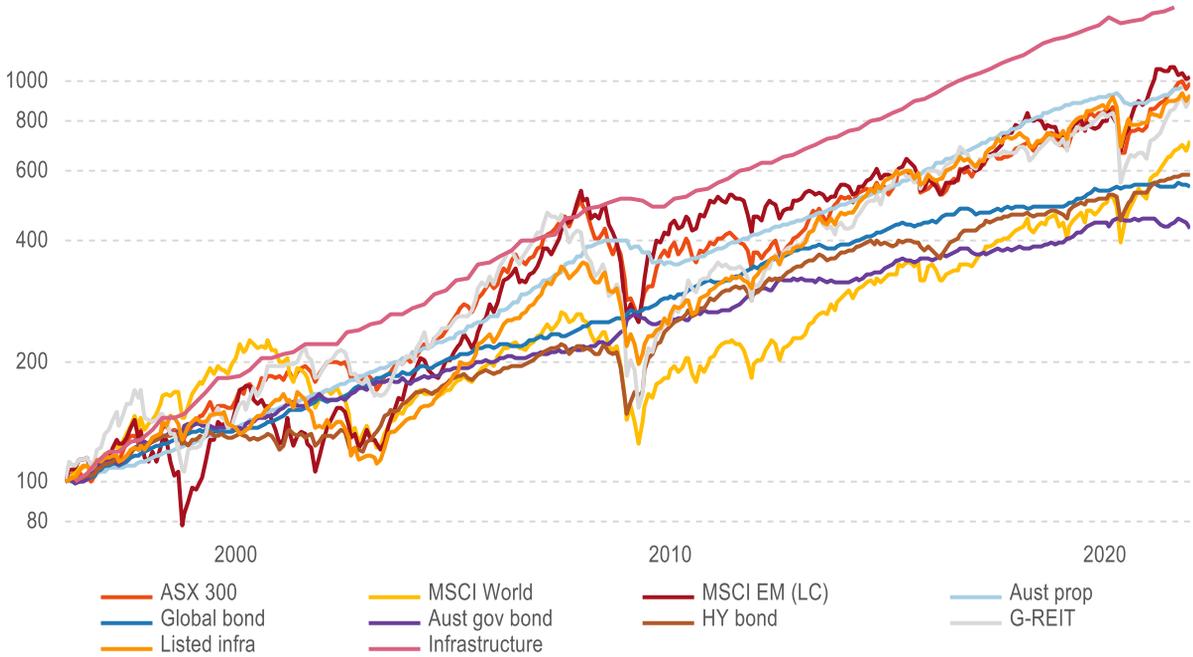
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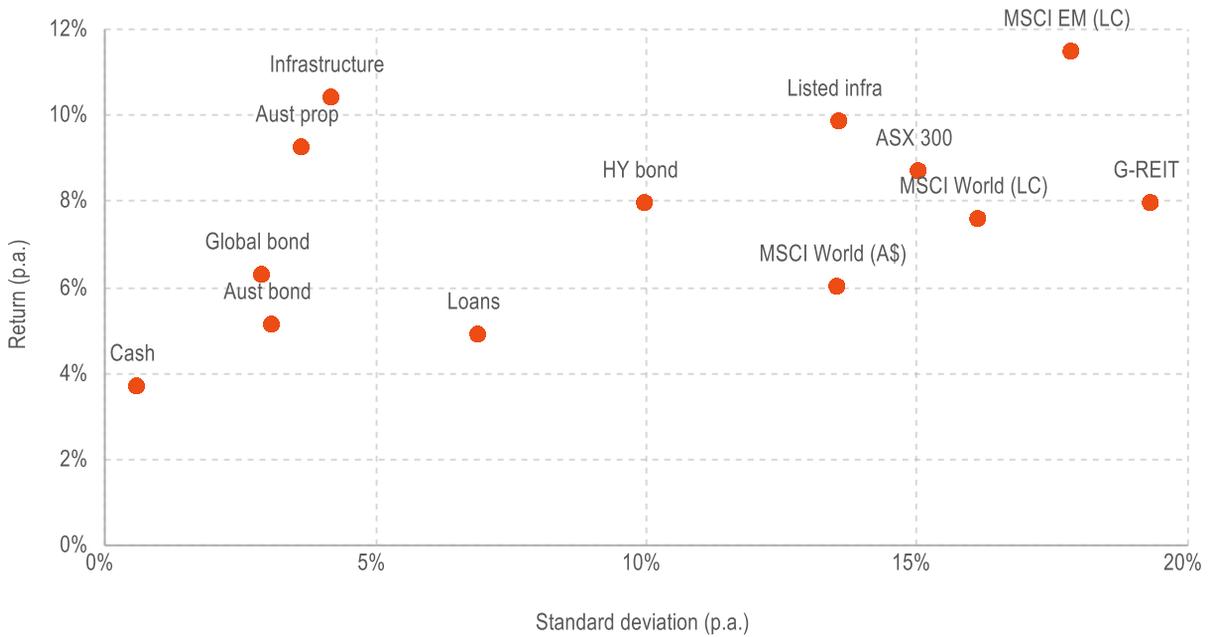
Asset class long-term returns

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



Source: Refinitiv Datastream

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



Source: Refinitiv Datastream



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