

# Monthly Market Snapshot

October 2022

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

# Market commentary

October saw another turbulent month in global markets. With easing on global supply chain pressure, escalated tension between Russia and Ukraine, deepening energy crisis facing Europe, and continued weakness in China, there remains deep uncertainty as to what lies ahead.

In the US, the latest data shows a slowing but resilient economy. Inflation remains at an elevated level, supported by services. Higher mortgage rates are weighing on the housing sector as data points to a slowdown in both housing starts and home sales. Weakness in some forward-looking indicators like Purchasing Manager Index (PMI) also signals softening in the economy. Labour markets remain strong as the unemployment rate fell to a record low, although high frequency data indicates moderated job growth.

In Europe, even though the gas price has come down, energy remains a key driver of inflation. To dampen the impact of the energy crisis, governments announced new measures including price caps, a common purchases system and new fiscal stimulus support. Within the Euro area, October PMI data indicates activity in most countries is declining at an accelerating pace.

Stock markets in developed economies registered a positive return while emerging market equities fell, with Chinese indices seeing significant drawdown. Global bond yields continued to rally, producing a negative return for the month.

The Australian market has finished October with a respectable performance in both stock and bond markets. Consumer discretionary shares were among the biggest gainers, backed by strong consumer spending.

China's zero-COVID policy keeps domestic demand weak, aggravated by a deteriorating property sector slump despite multiple rounds of policy stimulus since early this year. Real GDP growth rebounded to 3.9% in the third quarter, beating market expectations but set to miss the growth target of 5.5%. The value of Chinese investments fell significantly following the Communist Party's National Congress where Xi Jinping secured his third term as President, producing large losses in Chinese and emerging market equities for the month.

Central banks in most developed markets

continued to tread a tightening path as policy makers prioritise tackling inflation. US Federal Reserve officials continue to emphasize the need to steer policy toward cooling inflation, even if this means weaker growth in the future. The European Central Bank is also on an aggressive path of rate rises as it announced its third consecutive jumbo increase this year. Some central banks like the RBA and the Bank of Canada have taken a more dovish turn by delivering smaller rate hikes in recent announcements, recognising that accumulated rate hikes are yet to take full effect and cautious of speeding towards a hard landing.

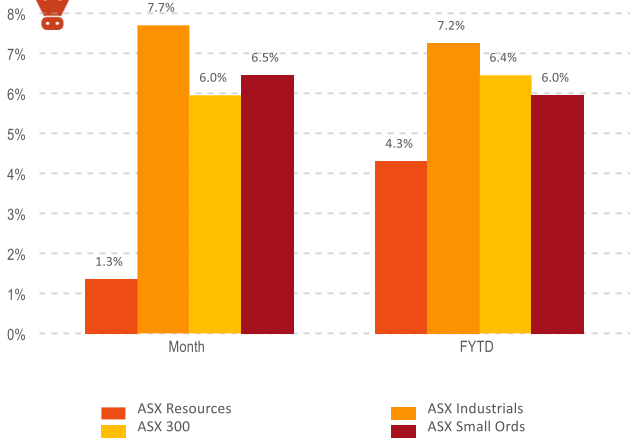
A slowing global economy and deep uncertainty has pushed the US dollar higher. Dollar strength was particularly notable against Japanese yen and Chinese RMB, two currencies whose central banks continue to adopt a much more accommodative stance. The appointment of the new UK prime minister who announced a new set of economic policies has contributed to the rally of GBP. The Australian dollar depreciated against most of the major currencies over the month except for Japanese yen, thanks to international central banks becoming more hawkish and recent turmoil in global financial markets.

Listed real assets, property and infrastructure produced a positive return in October, but rising bond yield and declining house price remain key risks for the property sector going forward.

# October 2022



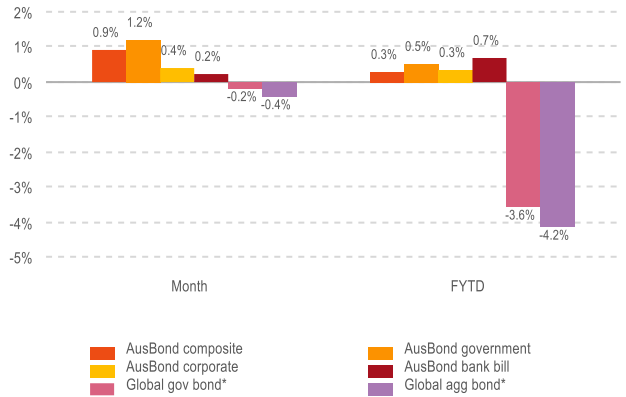
## Australian equities



Source: Refinitiv Datastream



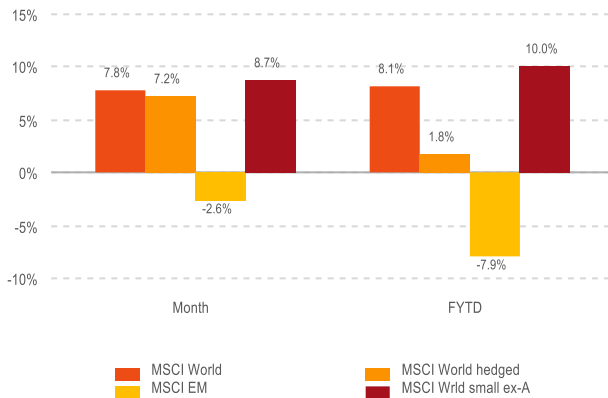
## Fixed income



Source: Refinitiv Datastream



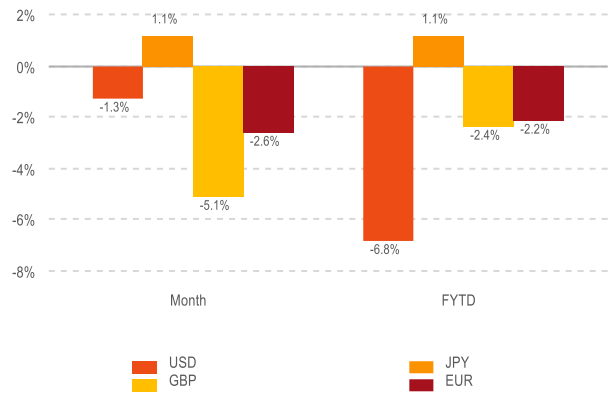
## International equities (\$A)



Source: Refinitiv Datastream



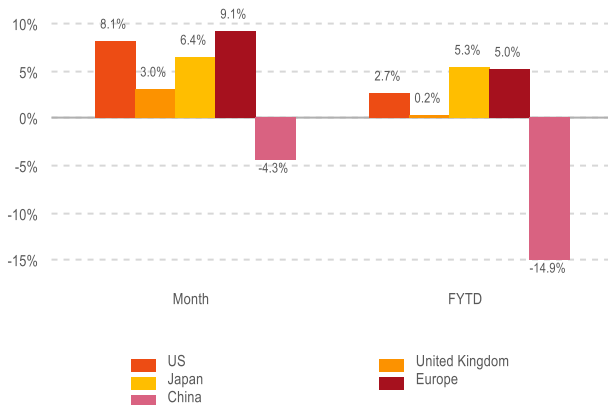
## Australian dollar



Source: Refinitiv Datastream



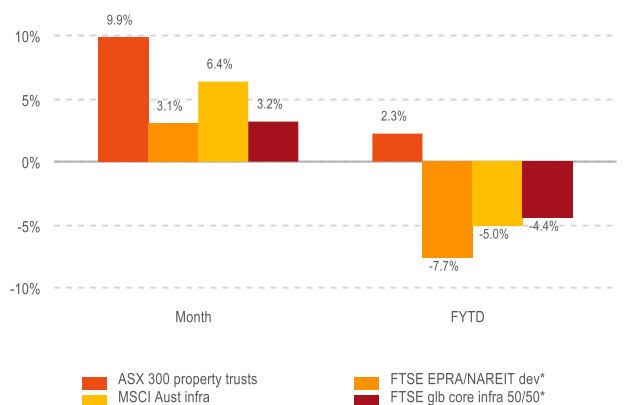
## International equities



Source: Refinitiv Datastream











## Real assets



Source: Refinitiv Datastream \*Hedged A\$

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

# October 2022

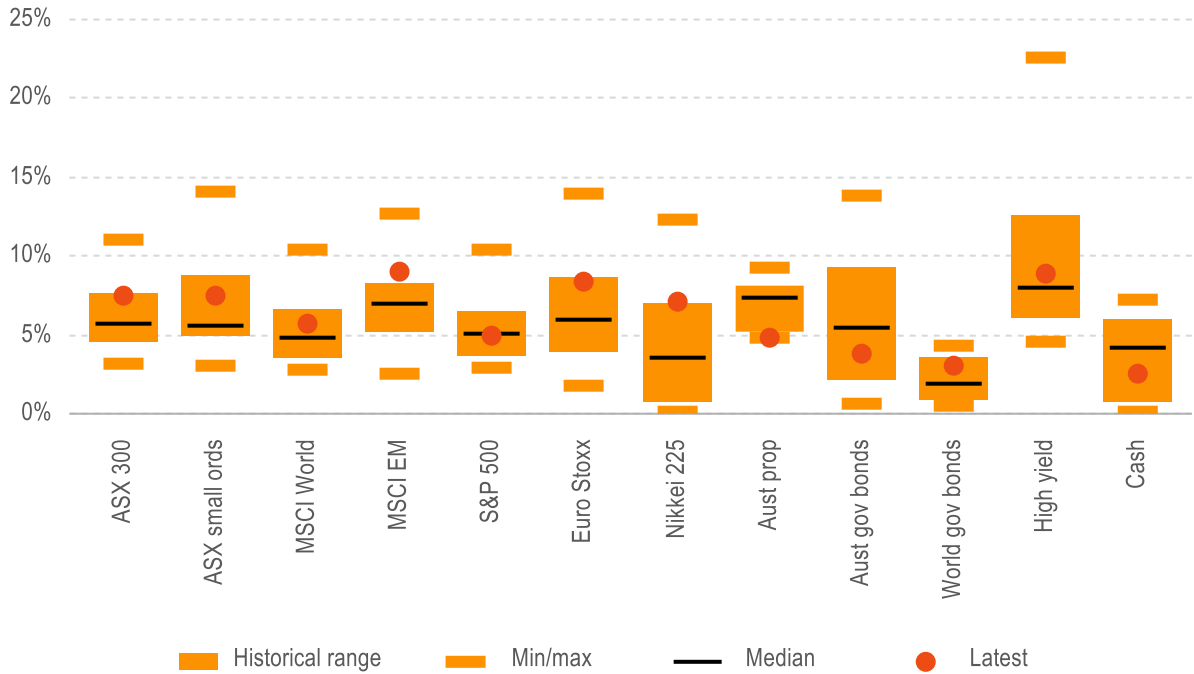
	Index Value	Month	3 Months	FYTD	1 Year	5 Yr p.a.	
<b>Australian Equities</b>							
	S&P/ASX 300 Accum. Index	6,840	6.0%	0.5%	6.4%	-2.6%	7.2%
	S&P/ASX 300 Accum. Industrials Index	10,440	7.7%	-1.0%	7.2%	-7.4%	5.8%
	S&P/ASX 300 Accum. Resources Index	5,271	1.3%	4.8%	4.3%	18.5%	13.0%
	ASX Small Caps Accum. Index	2,781	6.5%	-4.9%	6.0%	-18.3%	4.2%
<b>International Equities</b>							
	MSCI World Index (\$A)	4,462	7.8%	1.7%	8.1%	-4.2%	10.3%
	MSCI World Index (Hedged \$A)	3,544	7.2%	-5.7%	1.7%	-15.8%	6.3%
	MSCI Emerging Markets Index (\$A)	958	-2.6%	-6.3%	-7.9%	-19.0%	0.5%
	MSCI World ex-Aus Small Cap Index (\$A)	569	8.7%	2.4%	10.0%	-8.1%	7.5%
	US (S&P 500 Index in USD)*	3,872	8.0%	-6.3%	2.3%	-15.9%	8.5%
	US Tech (NASDAQ Index in USD)*	10,988	3.9%	-11.3%	-0.4%	-29.1%	10.3%
	United Kingdom (FTSE 100 Index in GBP)*	7,095	2.9%	-4.4%	-1.0%	-2.0%	-1.1%
	Japan (Nikkei 225 Index in JPY)*	27,587	6.4%	-0.8%	4.5%	-4.5%	4.6%
	Europe (Stoxx 50 Index in EUR)*	3,618	9.0%	-2.4%	4.7%	-14.9%	-0.3%
	China (Shanghai Composite Index in CNY)*	2,893	-4.3%	-11.1%	-14.9%	-18.4%	-3.1%
<b>AUD versus ...</b>							
	USD	0.64	-1.3%	-8.4%	-6.8%	-14.9%	-3.5%
	JPY	94.99	1.1%	1.9%	1.1%	10.8%	1.8%
	GBP	0.55	-5.1%	-3.7%	-2.4%	1.2%	-1.0%
	EUR	0.64	-2.6%	-6.1%	-2.2%	-0.4%	-0.5%
<b>Real Assets</b>							
	ASX 300 Listed Property Trusts Accum. Index	1,347	9.9%	-8.5%	2.3%	-13.9%	4.6%
	FTSE EPRA / NAREIT Dev. Index (Hedged \$A)	1,439	3.1%	-14.3%	-7.7%	-21.6%	0.1%
	MSCI Australia Infrastructure	1,189	6.4%	-6.7%	-5.0%	3.9%	4.0%
	FTSE Global Core Infra 50/50 Index (Hedged \$A)	2,320	3.2%	-8.7%	-4.4%	-2.6%	4.9%
<b>Oil and Commodities</b>							
	Crude Oil (US\$/bbl)	86.5	8.2%	-14.6%	-19.6%	3.5%	9.7%
	Copper Spot (US\$/tonne)	7,522	-2.1%	-5.2%	-8.9%	-23.3%	2.0%
	Gold Spot (US\$/ounce)	1,638	-2.2%	-7.2%	-9.3%	-7.8%	5.2%
<b>Australian Fixed Interest</b>							
	Bloomberg AusBond Composite Index	9,434	0.9%	-3.0%	0.3%	-7.2%	0.7%
	Bloomberg AusBond Government Index	9,793	1.2%	-3.0%	0.5%	-7.1%	0.8%
	Bloomberg AusBond Corporate Index	10,113	0.4%	-2.0%	0.3%	-6.3%	1.4%
	Bloomberg AusBond Bank Bill Index	9,090	0.2%	0.5%	0.7%	0.8%	1.0%
<b>Global Fixed Interest</b>							
	Bloomberg Global Gov. Bond Index (Hedge \$A)	332	-0.2%	-5.6%	-3.6%	-11.3%	-0.1%
	Bloomberg Global Agg. Bond Index (Hedge \$A)	951	-0.4%	-6.5%	-4.2%	-12.9%	-0.3%
<b>Fixed Income (yields) as at ...</b>							
		<b>Oct 2022</b>	<b>Sep 2022</b>	<b>Jul 2022</b>	<b>Jun 2022</b>	<b>Oct 2021</b>	<b>Oct 2017</b>
	Australia Bank Bill	2.87	2.71	1.65	1.14	0.01	1.59
	Australia 10-Year Government Bond	3.76	3.95	3.08	3.69	2.07	2.68
	US 10-Year Government Bond	4.08	3.80	2.64	2.97	1.56	2.38
	UK 10-Year Government Bond	3.53	4.09	1.86	2.24	1.03	1.33
	Germany 10-Year Government Bond	2.16	2.11	0.83	1.37	-0.15	0.36
	Japan 10-Year Government Bond	0.24	0.25	0.18	0.23	0.09	0.06

Source: Refinitiv Datastream

\*Price Index

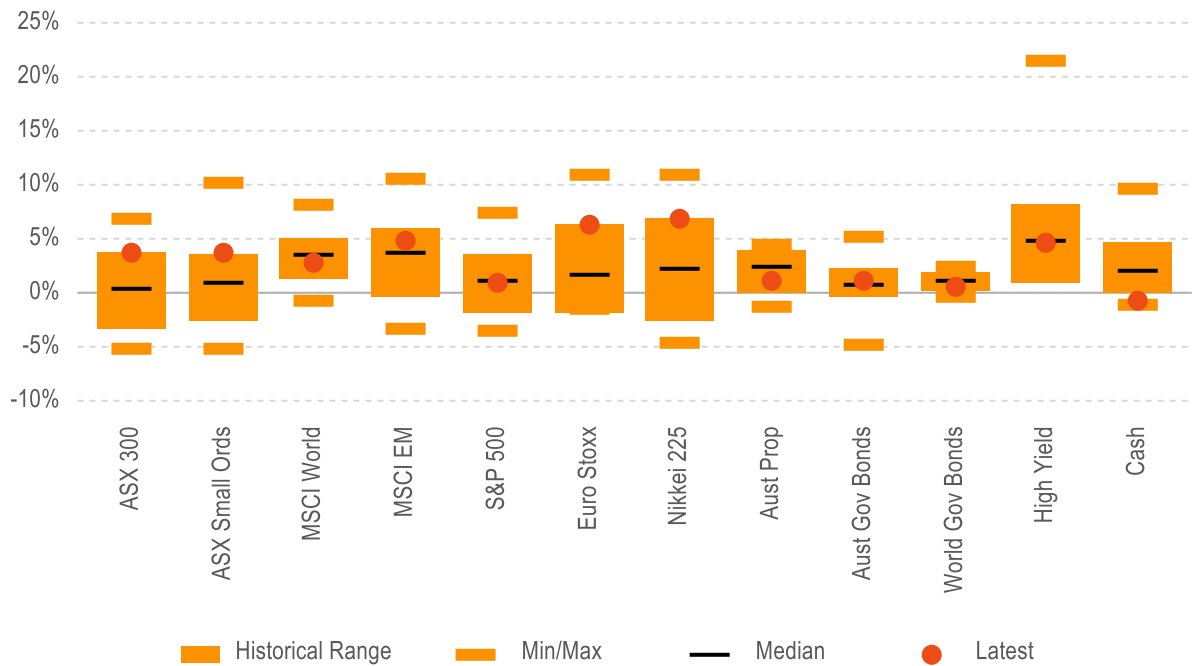
# Asset class yields relative to history

Current yields (equities earnings)



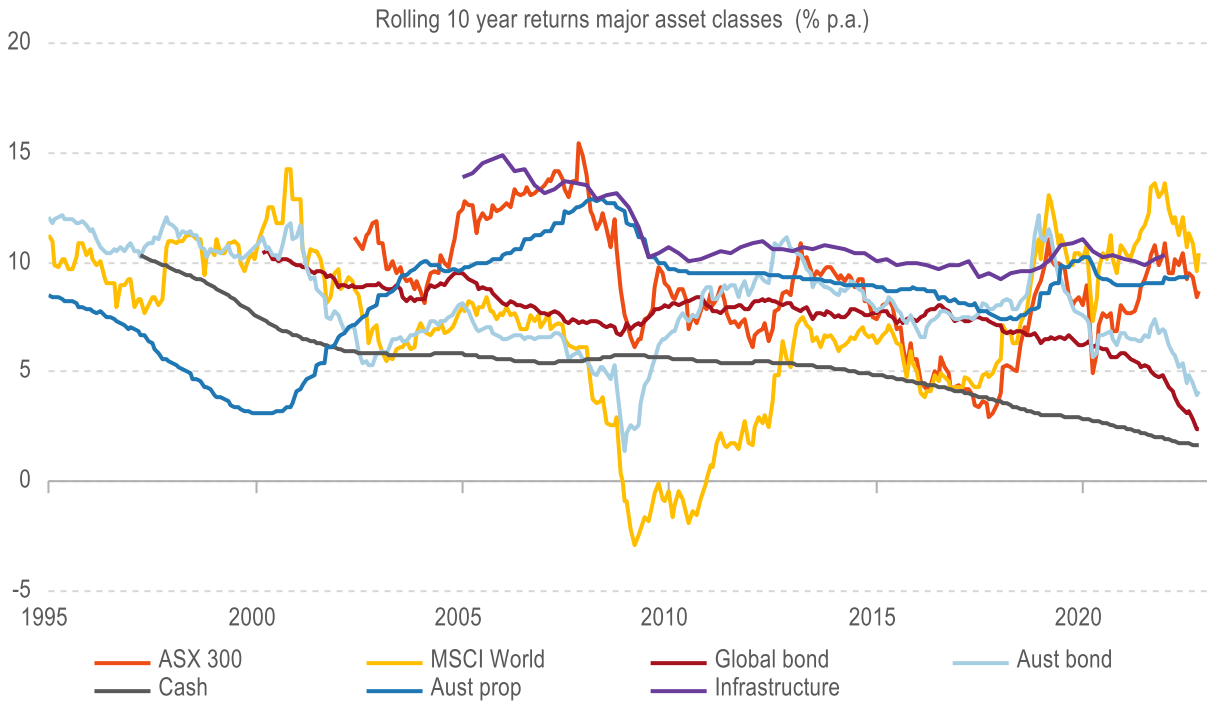
Source: Refinitiv Datastream

Relative yields (vs bond or cash yield)

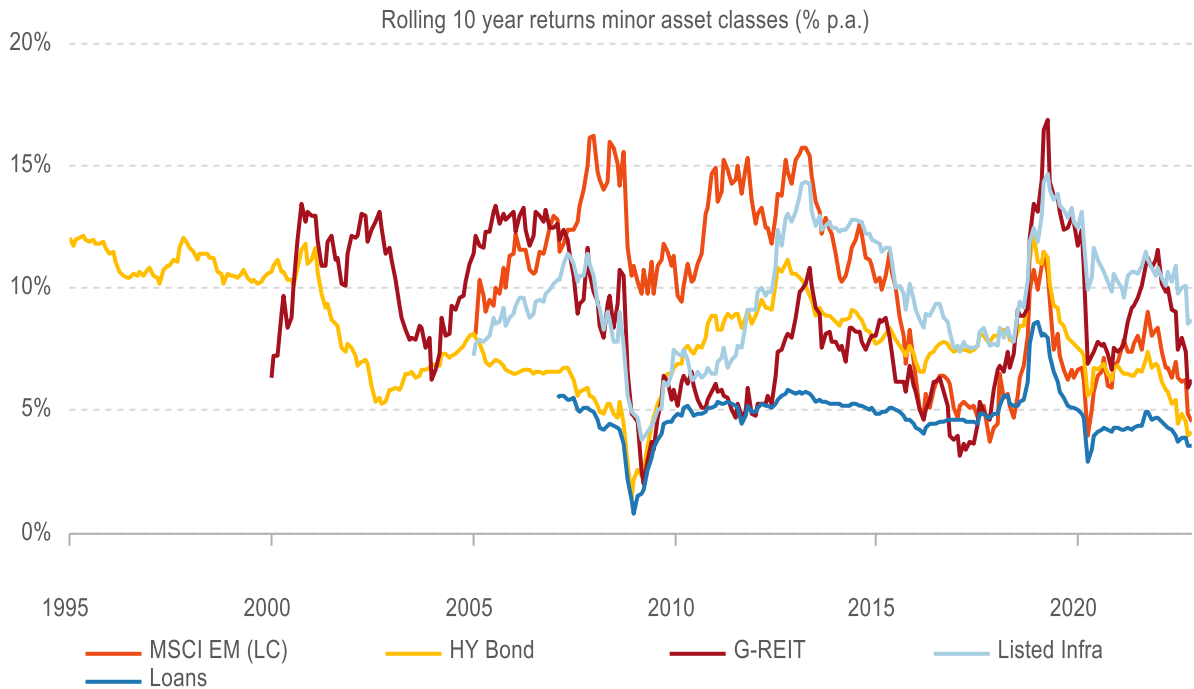


Source: Refinitiv Datastream

# Asset class long-term returns



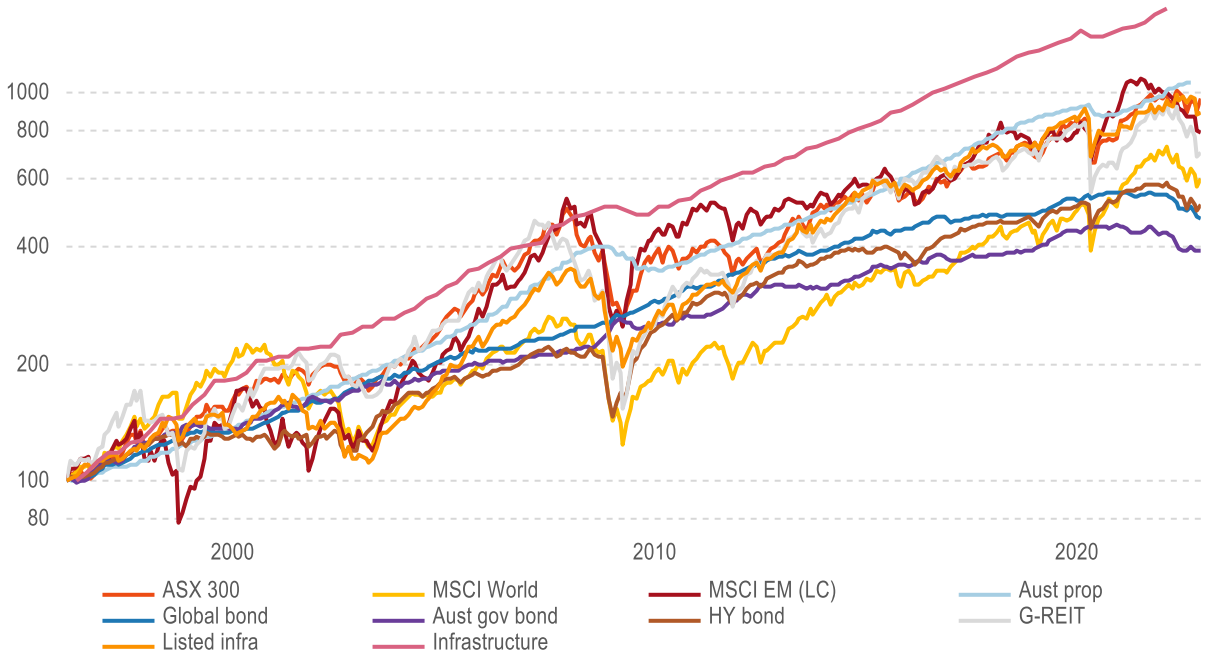
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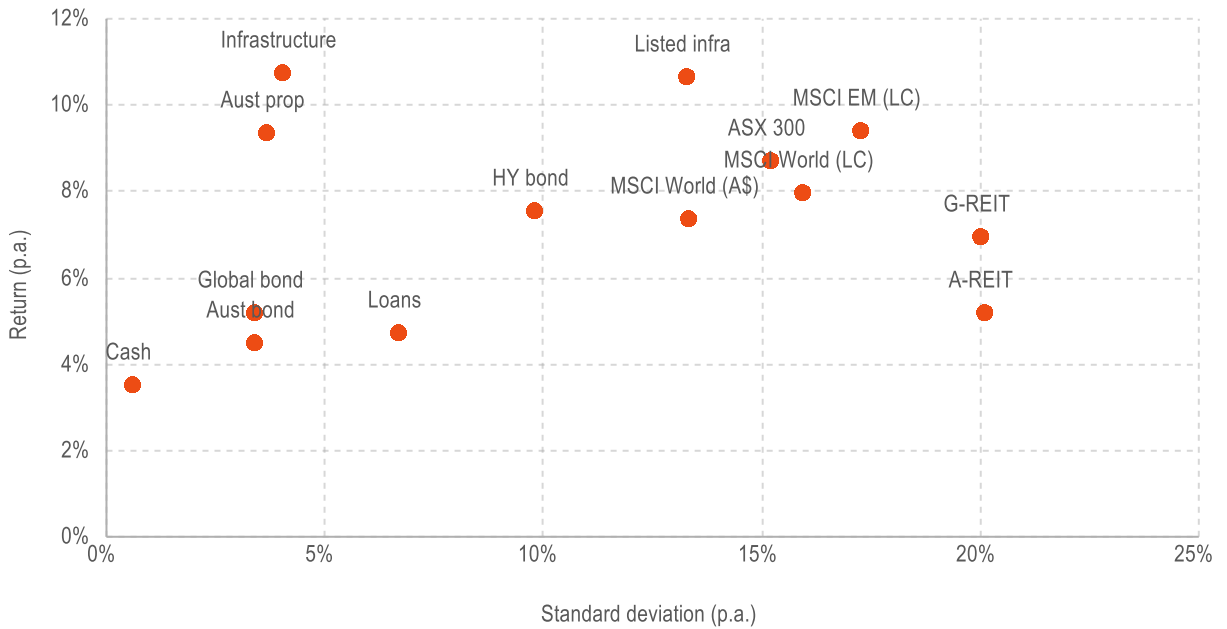
# Asset class long-term returns

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



Source: Refinitiv Datastream

Return-risk profile over 20 years (p.a.) to Oct 2022



Source: Refinitiv Datastream



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