Monthly Market Snapshot

November 2022

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

frontier

Market commentary

The month of November has seen swings in market sentiment amid global crosswinds. Stocks and bonds both recovered some of the steep losses from earlier this year. News headlines include inflation rates, the likelihood of a recession, the ongoing Ukraine/Russia war, China reopening, and continued interest rate increases.

In the US, the economy grew faster than expected in the third quarter with GDP rising by an annualised rate of 2.9% - a marked turnaround from contracting 1.6% in the first quarter and 0.6% in the second. The strong reading mainly reflects increases in exports and solid consumer spending that were partly offset by a decrease in housing investment in the face of higher interest rates. Although the labour market remains resilient, with employers still hiring and unemployment near a half-century low, major tech companies and investment banks are slashing staffing numbers and cutting bonuses. Consumer confidence slipped for a second consecutive month in November amid high inflation and rising borrowing costs, heightening the risks of a recession next year. Consumer prices cooled slightly in October, taking some pressure off inflation concerns and improving sentiment.

In Europe, inflation also shows sign of easing for the first time in 17 months but remained at elevated levels. The energy crisis continued to weigh on economic outlook with Eurozone and U.K. purchasing manager indices (PMI) remaining in contractionary territory, pointing to weak manufacturing activities. Preparedness for winter energy requirements have improved with a ramp up in the region's liquified natural gas (LNG) imports and gas reserves near full capacity. However, risks of shortages and rationing have not disappeared, and the coming winter will be the first major stress test for a vastly reshaped European energy market.

Global stock market registered a large positive return for November, led by emerging market equities. The bond market also registered a strong month with yields in the US and Europe retreating significantly.

The Australian market has finished November with positive performance in both stocks and bonds. Australia's housing downturn extended into November with house prices falling seven months in a row, but the pace of decline slowed.

China partially eased its COVID containment measures and announced a series of policy support targeted at the property sector. Market sentiment improved and risk assets rallied sharply in response to the hope of reopening, producing large positive returns for China equities as well as emerging market equities. However, macro data shows China's economic position is still weak. Increased number of COVID cases, more frequent lockdowns and a weak property sector have weighed on the domestic economy.

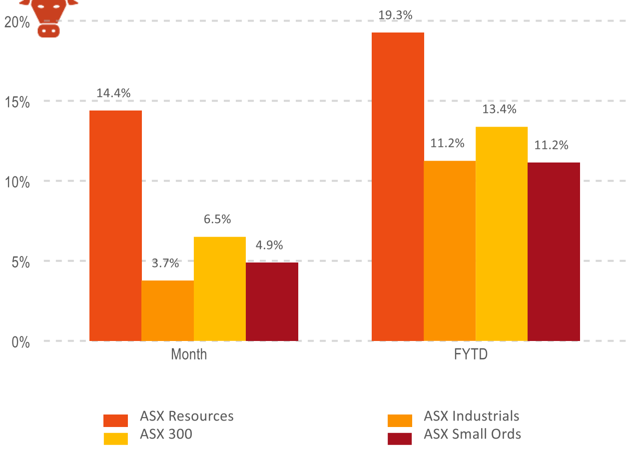
Central banks have continued with aggressive monetary policy tightening in response to inflation while signalling a potential slowdown in increasing the interest rate. The Federal Reserve Chair Jerome Powell acknowledged that smaller rate rises may start in December whilst warning that the fight with inflation isn't over. The European Central Bank (ECB) is also on an aggressive tightening path as it prioritises taming inflation, but the latest decreasing inflation data eases pressure on the ECB to follow the Fed's aggressive stance. The Reserve Bank of Australia increased the cash rate by 25 basis points for the seventh month in a row to tackle inflation which also cooled slightly in October.

On the back of the weakening US dollar since late October, the Australian dollar appreciated against most of the major currencies over the month except for Japanese yen. The AUD benefited from China's partial easing on the COVID restriction – a reflection of Australia's close economic ties with China.

Listed real assets, property and infrastructure produced a positive return in November, but property in general faces cyclical headwinds from a slowing economic outlook. Rising bond yields and declining house price remain key risk for the property sector going forward.

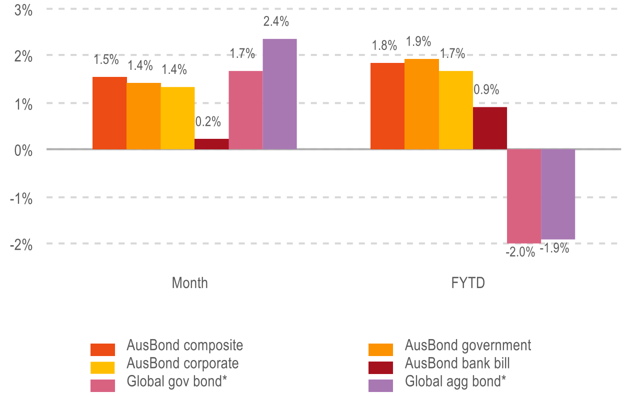
November 2022

Australian equities



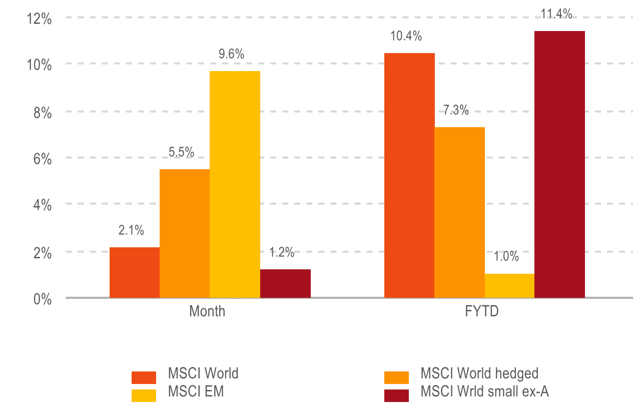
Source: Refinitiv Datastream

Fixed income



Source: Refinitiv Datastream

International equities ($A)



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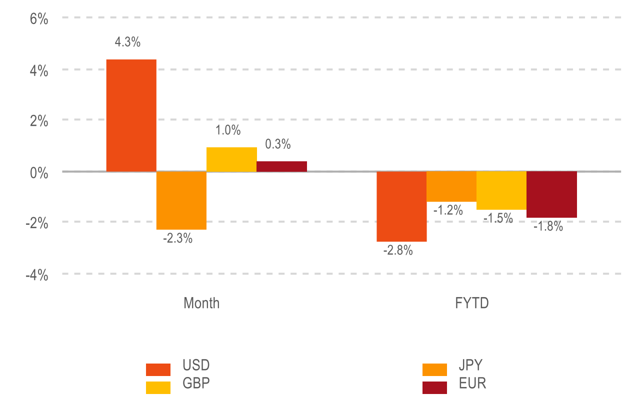
Australian dollar



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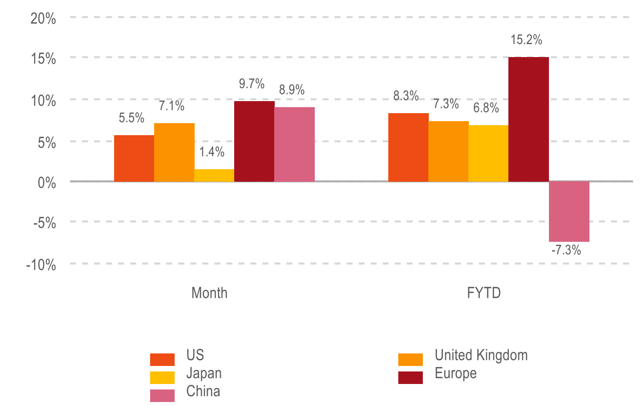
International equities



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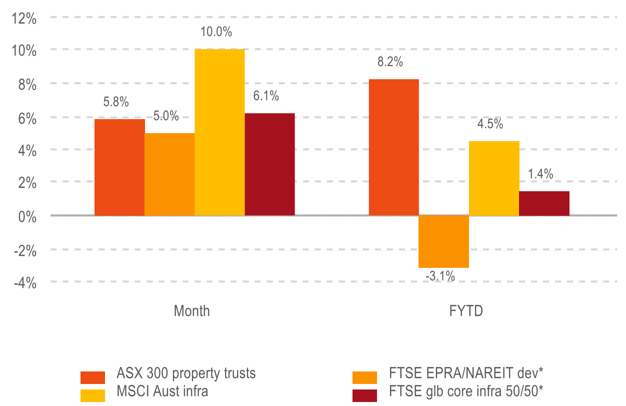
Real assets



Source: Refinitiv Datastream *Hedged A$

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

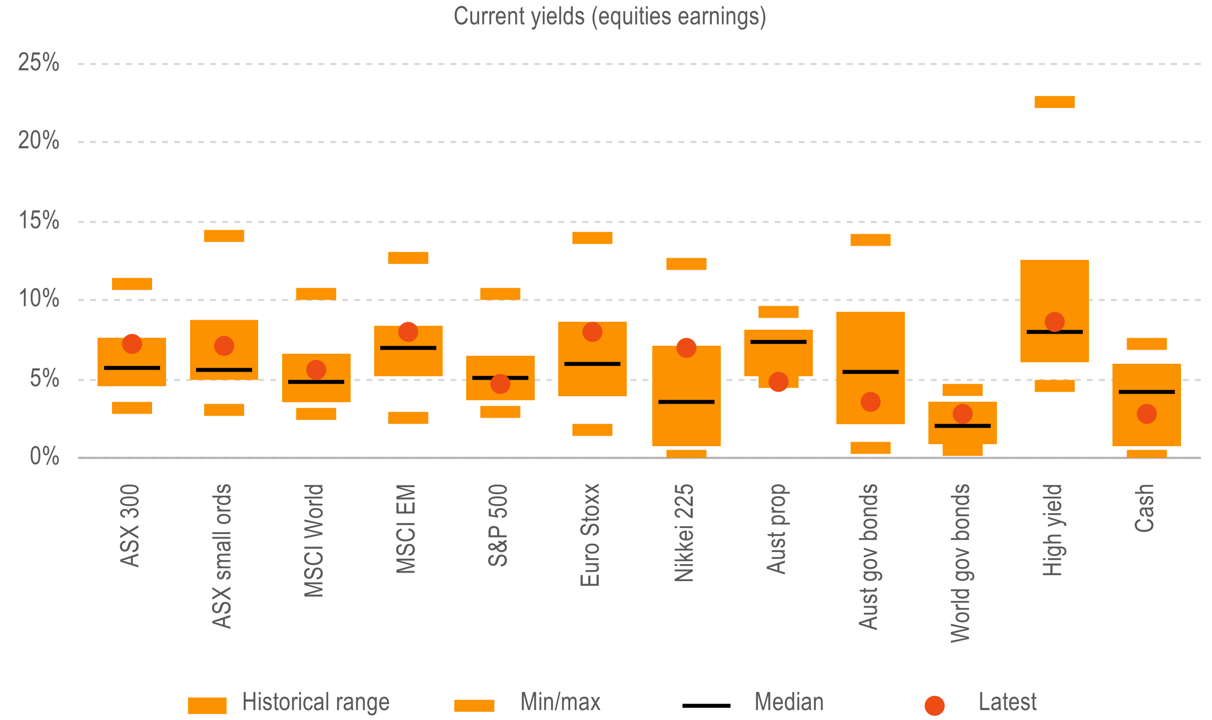
November 2022

	Index Value	Month	3 Months	FYTD	1 Year	5 Yr p.a.
Australian Equities						
S&P/ASX 300 Accum. Index	7,253	6.5%	5.7%	13.4%	4.3%	8.2%
S&P/ASX 300 Accum. Industrials Index	10,766	3.7%	3.1%	11.2%	-2.5%	6.3%
S&P/ASX 300 Accum. Resources Index	6,028	14.4%	13.1%	19.3%	30.6%	15.3%
ASX Small Caps Accum. Index	2,914	4.9%	-0.8%	11.2%	-14.0%	4.4%
International Equities						
MSCI World Index ($A)	4,550	2.1%	6.4%	10.4%	-5.6%	10.1%
MSCI World Index (Hedged $A)	3,738	5.5%	3.0%	7.3%	-9.8%	7.0%
MSCI Emerging Markets Index ($A)	1,048	9.6%	0.5%	1.0%	-12.6%	2.1%
MSCI World ex-Aus Small Cap Index ($A)	575	1.2%	5.5%	11.4%	-7.7%	7.1%
US (S&P 500 Index in USD)*	4,080	5.4%	3.2%	7.8%	-10.7%	9.0%
US Tech (NASDAQ Index in USD)*	11,468	4.4%	-2.9%	4.0%	-26.2%	10.8%
United Kingdom (FTSE 100 Index in GBP)*	7,573	6.7%	4.0%	5.6%	7.3%	0.7%
Japan (Nikkei 225 Index in JPY)*	27,969	1.4%	-0.4%	6.0%	0.5%	4.2%
Europe (Stoxx 50 Index in EUR)*	3,965	9.6%	12.7%	14.8%	-2.4%	2.1%
China (Shanghai Composite Index in CNY)*	3,151	8.9%	-1.6%	-7.3%	-11.6%	-1.0%
AUD versus ...						
USD	0.67	4.3%	-3.0%	-2.8%	-6.2%	-2.5%
JPY	92.81	-2.3%	-2.9%	-1.2%	14.4%	1.8%
GBP	0.56	1.0%	-5.4%	-1.5%	4.2%	-0.2%
EUR	0.65	0.3%	-5.9%	-1.8%	2.3%	0.2%
Real Assets						
ASX 300 Listed Property Trusts Accum. Index	1,425	5.8%	0.5%	8.2%	-12.3%	4.7%
FTSE EPRA / NAREIT Dev. Index (Hedged $A)	1,507	5.0%	-4.6%	-3.1%	-16.5%	0.6%
MSCI Australia Infrastructure	1,308	10.0%	3.3%	4.5%	11.9%	5.4%
FTSE Global Core Infra 50/50 Index (Hedged $A)	2,454	6.1%	-2.3%	1.4%	5.7%	5.8%
Oil and Commodities						
Crude Oil (US$/bbl)	80.4	-7.0%	-10.7%	-25.3%	21.6%	7.0%
Copper Spot (US$/tonne)	8,227	9.4%	4.9%	-0.3%	-13.5%	4.1%
Gold Spot (US$/ounce)	1,752	7.0%	1.9%	-3.0%	-1.6%	6.5%
Australian Fixed Interest						
Bloomberg AusBond Composite Index	9,580	1.5%	1.1%	1.8%	-7.7%	0.9%
Bloomberg AusBond Government Index	9,934	1.4%	1.2%	1.9%	-8.1%	0.8%
Bloomberg AusBond Corporate Index	10,250	1.4%	0.7%	1.7%	-6.0%	1.5%
Bloomberg AusBond Bank Bill Index	9,113	0.2%	0.6%	0.9%	1.0%	1.0%
Global Fixed Interest						
Bloomberg Global Gov. Bond Index (Hedge $A)	338	1.7%	-1.5%	-2.0%	-10.8%	0.2%
Bloomberg Global Agg. Bond Index (Hedge $A)	973	2.4%	-1.6%	-1.9%	-11.5%	0.1%
Fixed Income (yields) as at ...	**Nov 2022**	**Oct 2022**	**Aug 2022**	**Jun 2022**	**Nov 2021**	**Nov 2017**
Australia Bank Bill	2.95	2.87	2.04	1.14	0.02	1.66
Australia 10-Year Government Bond	3.54	3.76	3.61	3.69	1.73	2.51
US 10-Year Government Bond	3.70	4.08	3.13	2.97	1.44	2.41
UK 10-Year Government Bond	3.16	3.53	2.80	2.24	0.81	1.33
Germany 10-Year Government Bond	1.95	2.16	1.53	1.37	-0.34	0.38
Japan 10-Year Government Bond	0.25	0.24	0.23	0.23	0.06	0.04

Source: Refinitiv Datastream

*Price Index

Asset class yields relative to history



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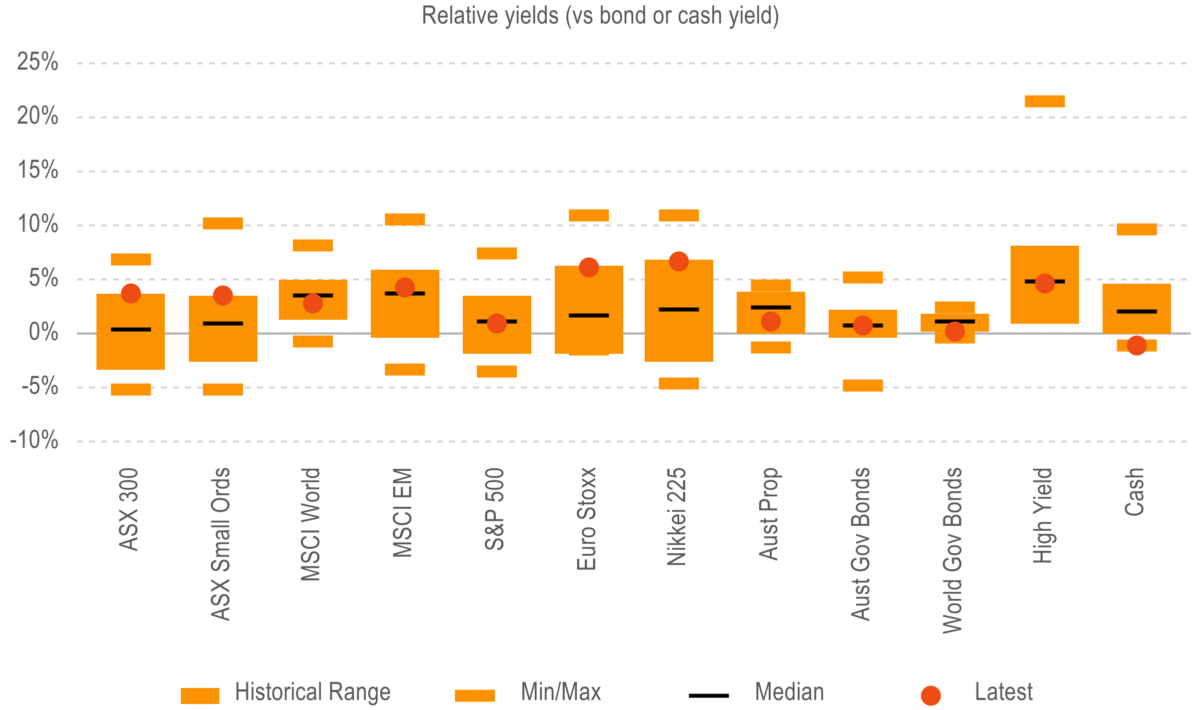

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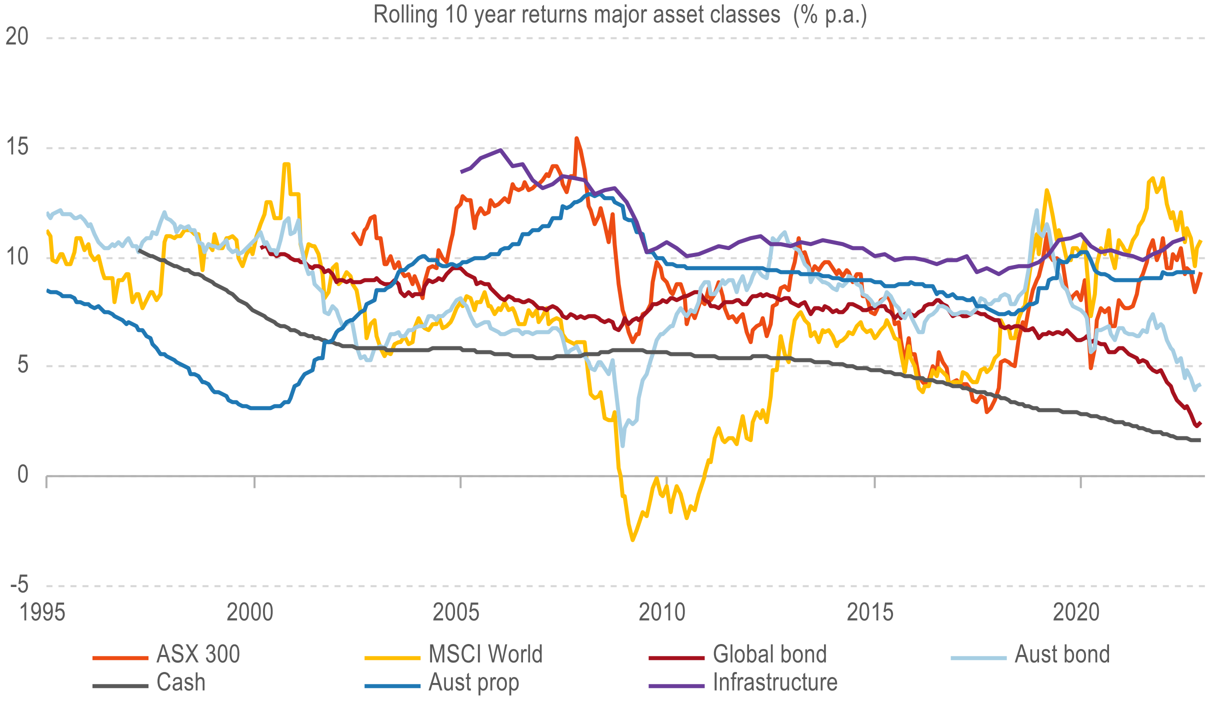
Asset class long-term returns



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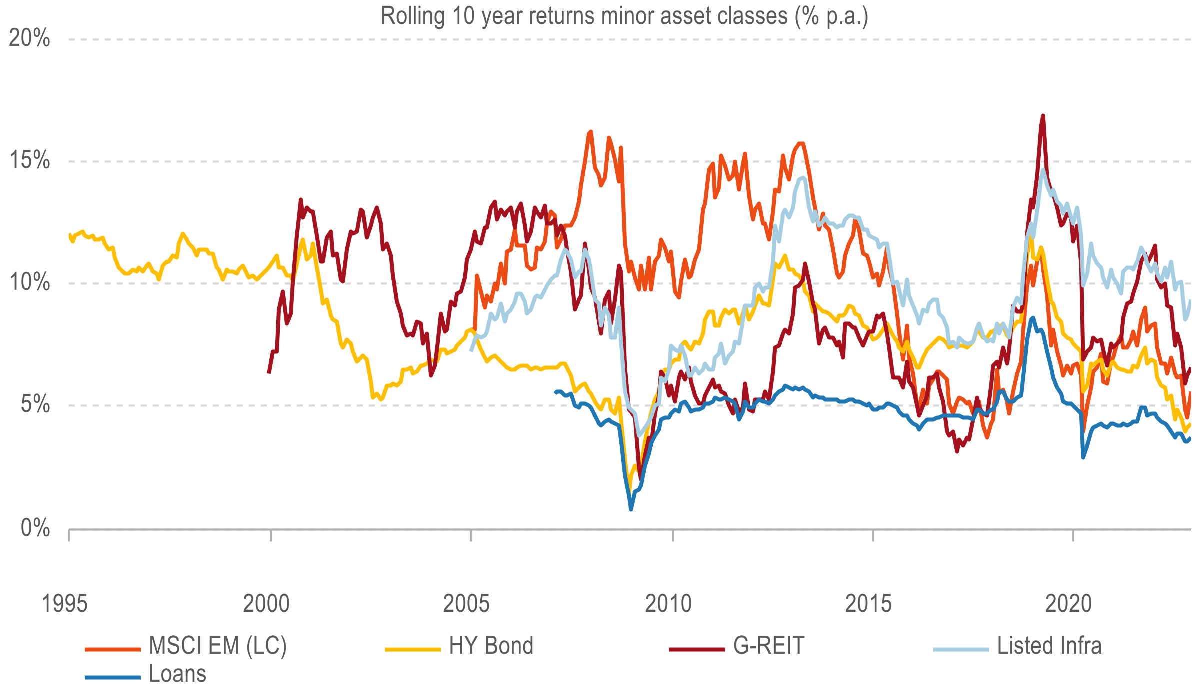

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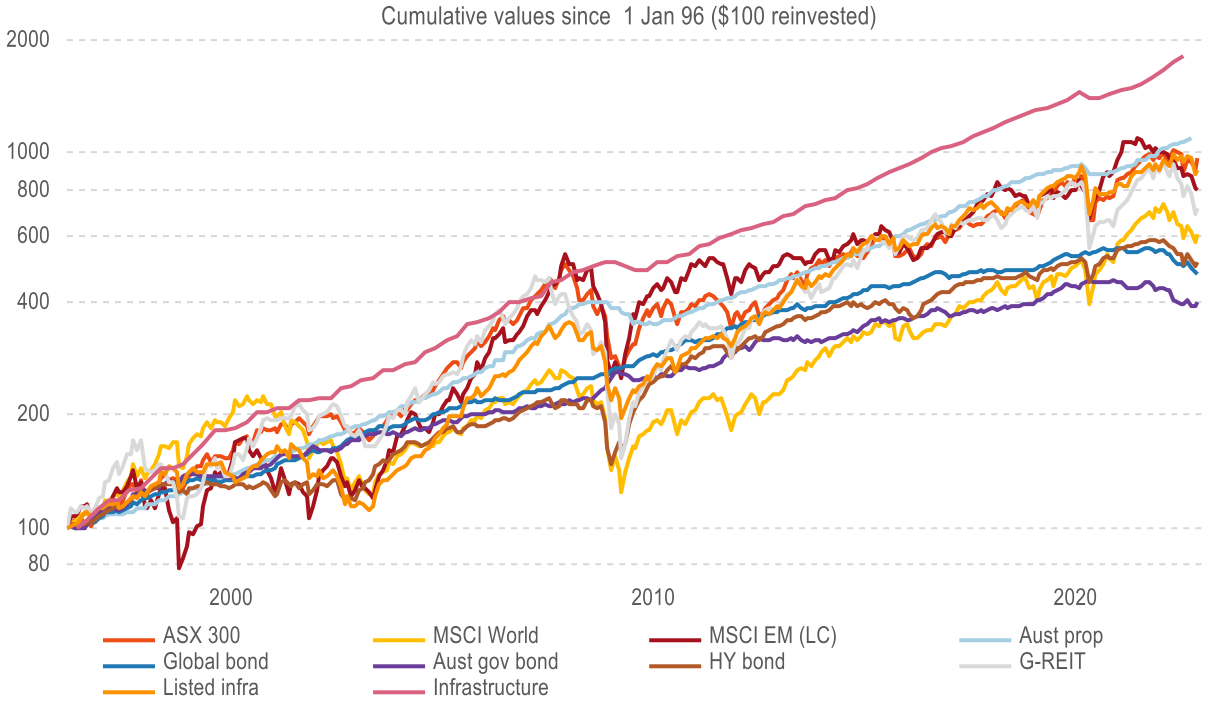

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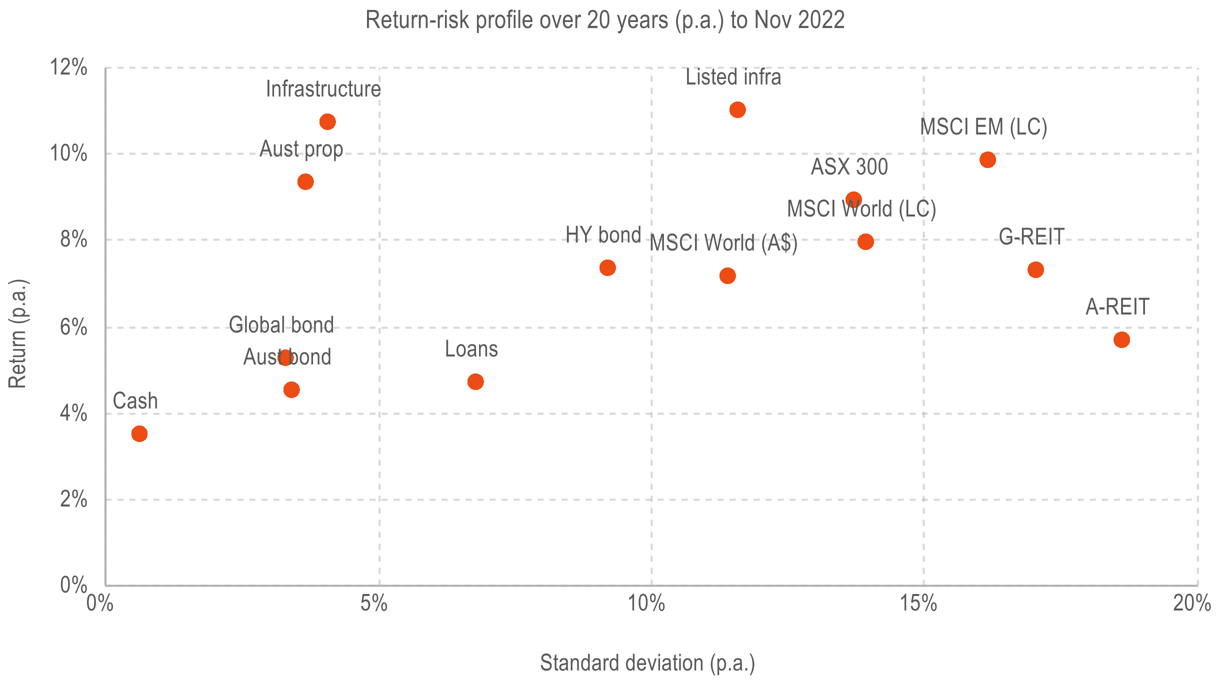

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