

Monthly Market Snapshot

January 2023

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

Market commentary

The first month of 2023 ended positively as stocks and bonds rose in both developed and emerging markets. The rally reflects some positive news after a year of large market movements – market expectations of cooling inflation, the Fed approaching the end of rate hikes, a mild winter in Europe defusing the energy crisis, and China's reopening leading to a strong recovery in the new year.

In the US, Q4 GDP data surpassed forecasts and retail sales were strong. The strong GDP reading was due to growth in private inventory investment, consumer spending, government spending, and non-residential fixed investment, which were partially offset by decreases in residential fixed investment and exports. Inflation continued to decline since June, driven down by falling energy and vehicle prices. Despite the cooling inflation, job gains were strong and the unemployment rate dropped in December. However, the labor market is showing signs of cooling with increasing job layoffs, declining job openings and hires, and slowing job growth and wage growth.

Manufacturing activity weakened further in January with the Purchasing Manager Index (PMI) reaching its lowest level since May 2020. The housing activity data also appears concerning with continued decline in housing sales, but some signs of recovery in the mortgage loan market.

Stocks and bonds in the US saw positive returns in January. The rally in stocks was led by the consumer discretionary, materials, and technology sectors, which had been the worst performing sectors in 2022. The expectation of looser monetary policy and a weakening economy boosted demand for bonds, resulting in a drop in US Treasury yields.

In Europe, a recent survey by Consensus Economics showed that analysts no longer anticipate a recession in the Euro region in 2023. The improved outlook is attributed to the mild weather, declining energy prices, government support, and the reopening of the Chinese economy. Inflation declined in December, marking a second consecutive fall and reaching its lowest level since August of the previous year. The Eurozone composite PMI increased, indicating strong economic activity. The improved sentiment is reflected in the significant positive returns of European stocks and bonds.

The decrease in inflation in the US and Europe has relieved some pressure on central banks in their efforts to control inflation. In January, the Federal Reserve raised interest rates by 25 basis points, which was a decrease from the 50 basis points hike in December. Meanwhile, the European Central Bank and the Bank of England continued to raise interest rates significantly during their February meetings, resulting in benchmark interest rates for both being at their highest levels since 2008.

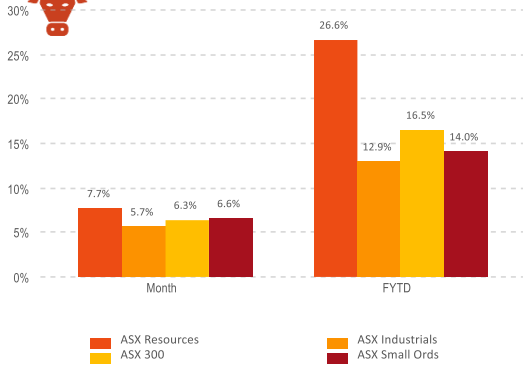
China's economy is projected to recover in 2023 after a challenging year in 2022. Despite reopening, economic activity was weak in December due to a surge in COVID cases, but high-frequency indicators suggest a rapid recovery. With reopening, potential policy support, and high household savings from three years of lockdowns, there's potential for a strong rebound. Iron ore and copper prices have been recovering, reflecting the potential growth in China. This significant improvement in growth outlook led to large positive returns for China's equity market and emerging market stocks.

The Australian market ended January with significant positive returns for both stocks and bonds. The ASX 200 recovered all its losses from the previous year in January. Consumer staples led the market higher, as investors anticipated the RBA to ease up on rate hikes following a sharp decline in retail sales in December. The release of two higher-than-expected CPI readings (7.3% for December and 8.4% for January) showed that inflation was still on the rise in Australia. The AUD/USD steadily increased throughout January, driven largely by the weakening USD but also influenced by the inflation data. However, domestic housing prices extended their declines for the ninth straight month in January due to high mortgage rates, resulting in negative returns for listed real assets and property.

January 2023



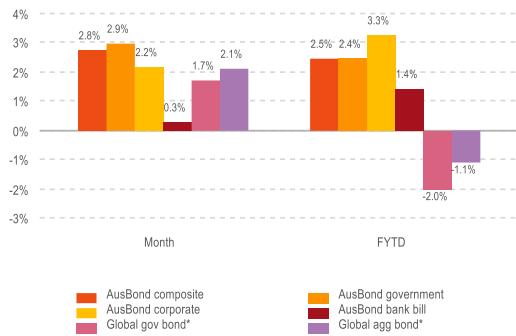
Australian equities



Source: Refinitiv Datastream



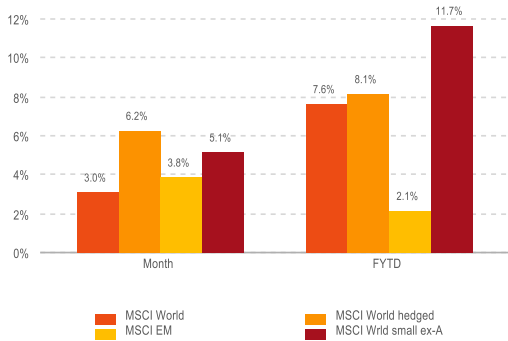
Fixed income



Source: Refinitiv Datastream



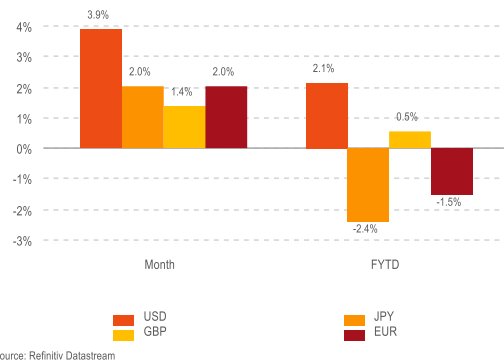
International equities (\$A)



Source: Refinitiv Datastream



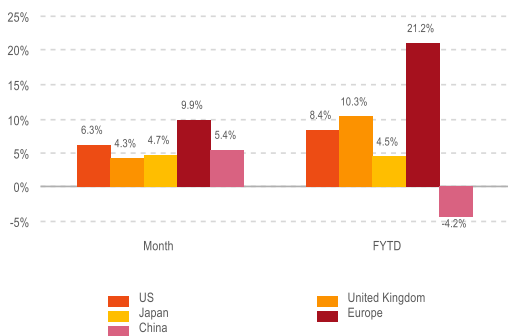
Australian dollar



Source: Refinitiv Datastream



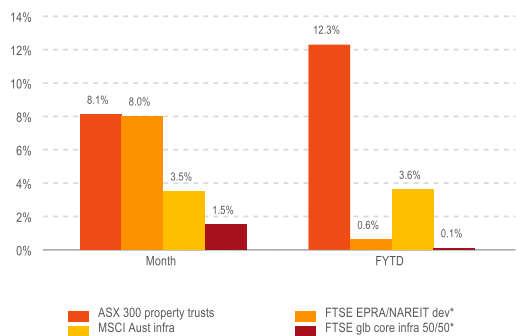
International equities



Source: Refinitiv Datastream











Real assets



Source: Refinitiv Datastream *Hedged A\$

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

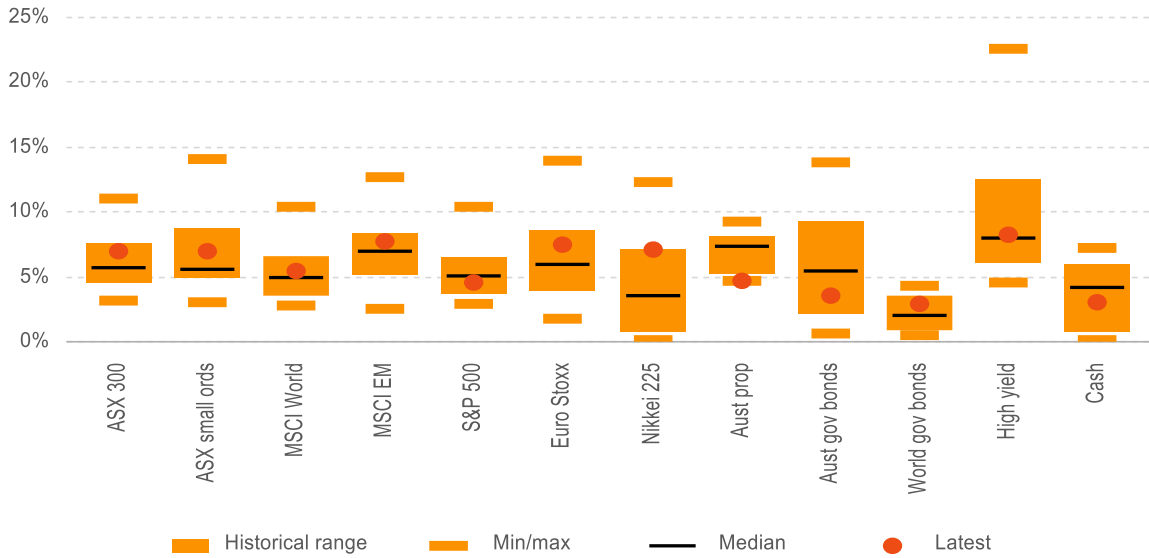
January 2023

	Index Value	Month	3 Months	FYTD	1 Year	5 Yr p.a.
Australian Equities						
 S&P/ASX 300 Accum. Index	7,443	6.3%	9.5%	16.5%	11.6%	8.5%
S&P/ASX 300 Accum. Industrials Index	10,902	5.7%	5.3%	12.9%	6.4%	6.6%
S&P/ASX 300 Accum. Resources Index	6,394	7.7%	21.3%	26.6%	27.1%	14.9%
ASX Small Caps Accum. Index	2,981	6.6%	7.6%	14.0%	-4.4%	4.4%
International Equities						
 MSCI World Index (\$A)	4,426	3.0%	-0.5%	7.6%	-7.5%	9.5%
MSCI World Index (Hedged \$A)	3,767	6.2%	6.3%	8.1%	-7.9%	6.2%
MSCI Emerging Markets Index (\$A)	1,057	3.8%	10.9%	2.1%	-12.1%	1.3%
MSCI World ex-Aus Small Cap Index (\$A)	576	5.1%	1.5%	11.7%	-4.2%	7.5%
US (S&P 500 Index in USD)*	4,077	6.2%	5.3%	7.7%	-9.7%	7.6%
US Tech (NASDAQ Index in USD)*	11,585	10.7%	5.4%	5.0%	-18.6%	9.4%
United Kingdom (FTSE 100 Index in GBP)*	7,772	4.3%	9.5%	8.4%	4.1%	0.6%
Japan (Nikkei 225 Index in JPY)*	27,327	4.7%	-0.9%	3.5%	1.2%	3.4%
Europe (Stoxx 50 Index in EUR)*	4,163	9.7%	15.1%	20.5%	-0.3%	2.9%
China (Shanghai Composite Index in CNY)*	3,256	5.4%	12.5%	-4.2%	-3.1%	-1.3%
AUD versus ...						
 USD	0.70	3.9%	9.6%	2.1%	0.4%	-2.7%
JPY	91.69	2.0%	-3.5%	-2.4%	13.2%	0.9%
GBP	0.57	1.4%	3.0%	0.5%	9.1%	0.0%
EUR	0.65	2.0%	0.7%	-1.5%	3.3%	0.0%
Real Assets						
 ASX 300 Listed Property Trusts Accum. Index	1,454	8.1%	9.7%	12.3%	-4.6%	6.1%
FTSE EPRA / NAREIT Dev. Index (Hedged \$A)	1,557	8.0%	9.0%	0.6%	-13.3%	1.4%
MSCI Australia Infrastructure	1,283	3.5%	9.1%	3.6%	14.4%	5.8%
FTSE Global Core Infra 50/50 Index (Hedged \$A)	2,412	1.5%	4.8%	0.1%	0.7%	6.2%
Oil and Commodities						
 Crude Oil (US\$/bbl)	78.9	-1.7%	-8.9%	-26.7%	-10.5%	4.0%
Copper Spot (US\$/tonne)	9,200	10.0%	22.3%	11.5%	-4.0%	5.4%
Gold Spot (US\$/ounce)	1,928	6.2%	17.7%	6.7%	7.3%	7.5%
Australian Fixed Interest						
 Bloomberg AusBond Composite Index	9,641	2.8%	2.2%	2.5%	-6.3%	1.1%
Bloomberg AusBond Government Index	9,984	2.9%	1.9%	2.4%	-6.6%	1.2%
Bloomberg AusBond Corporate Index	10,409	2.2%	2.9%	3.3%	-4.2%	1.9%
Bloomberg AusBond Bank Bill Index	9,160	0.3%	0.8%	1.4%	1.5%	1.0%
Global Fixed Interest						
 Bloomberg Global Gov. Bond Index (Hedge \$A)	337	1.7%	1.6%	-2.0%	-9.0%	0.3%
Bloomberg Global Agg. Bond Index (Hedge \$A)	981	2.1%	3.2%	-1.1%	-8.9%	0.3%
Fixed Income (yields) as at ...						
	Jan 2023	Dec 2022	Oct 2022	Jun 2022	Jan 2022	Jan 2018
Australia Bank Bill	3.18	3.01	2.87	1.14	0.01	1.68
Australia 10-Year Government Bond	3.56	4.04	3.76	3.69	1.91	2.80
US 10-Year Government Bond	3.53	3.83	4.08	2.97	1.78	2.72
UK 10-Year Government Bond	3.33	3.67	3.53	2.24	1.31	1.51
Germany 10-Year Government Bond	2.28	2.56	2.16	1.37	0.01	0.69
Japan 10-Year Government Bond	0.49	0.42	0.24	0.23	0.17	0.08

*Price Index

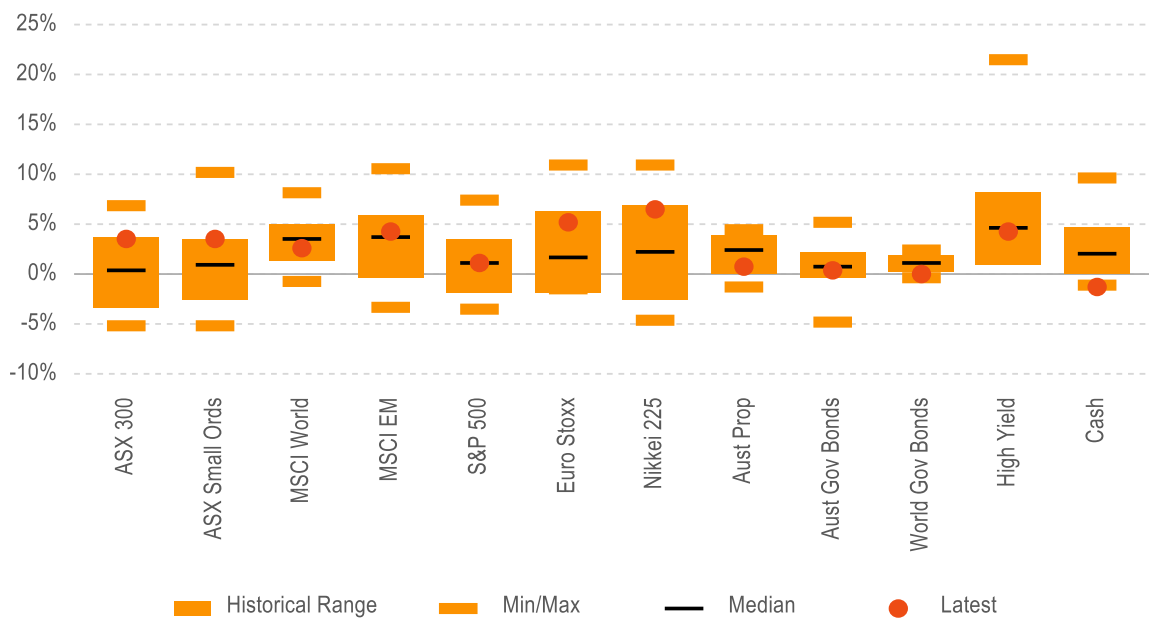
Asset class yields relative to history

Current yields (equities earnings)



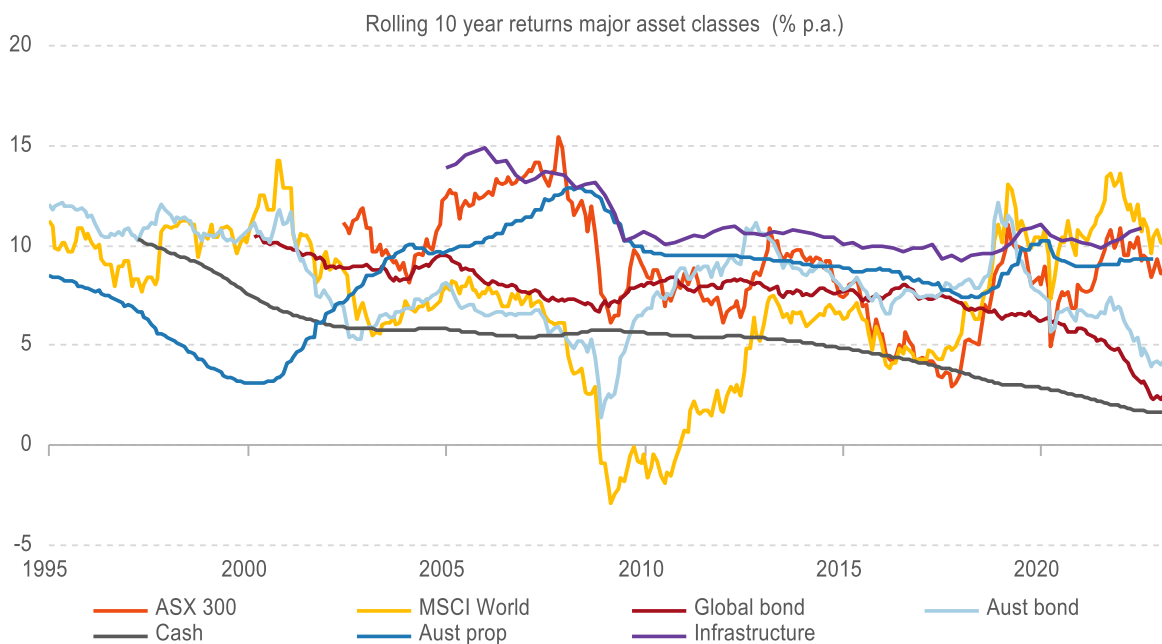
Source: Refinitiv Datastream

Relative yields (vs bond or cash yield)

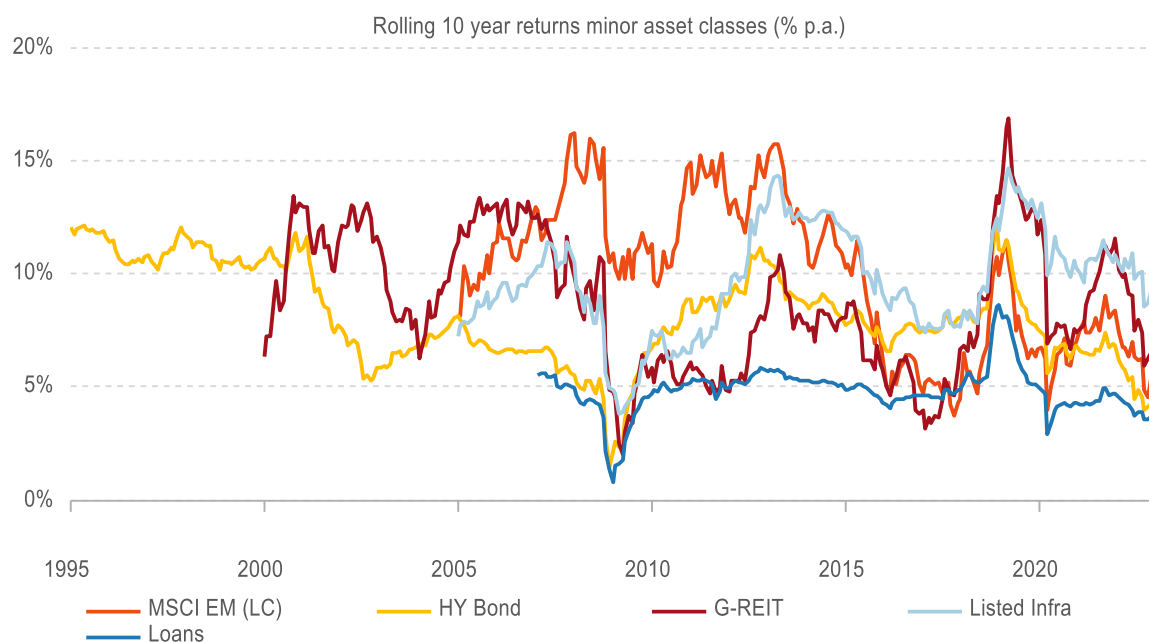


Source: Refinitiv Datastream

Asset class long-term returns

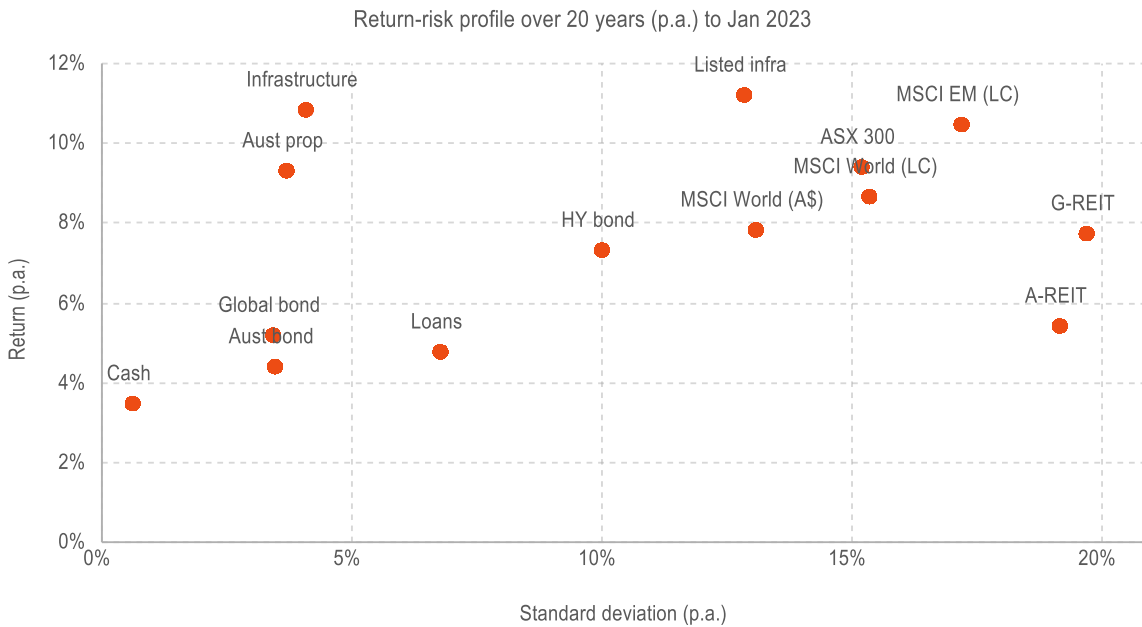
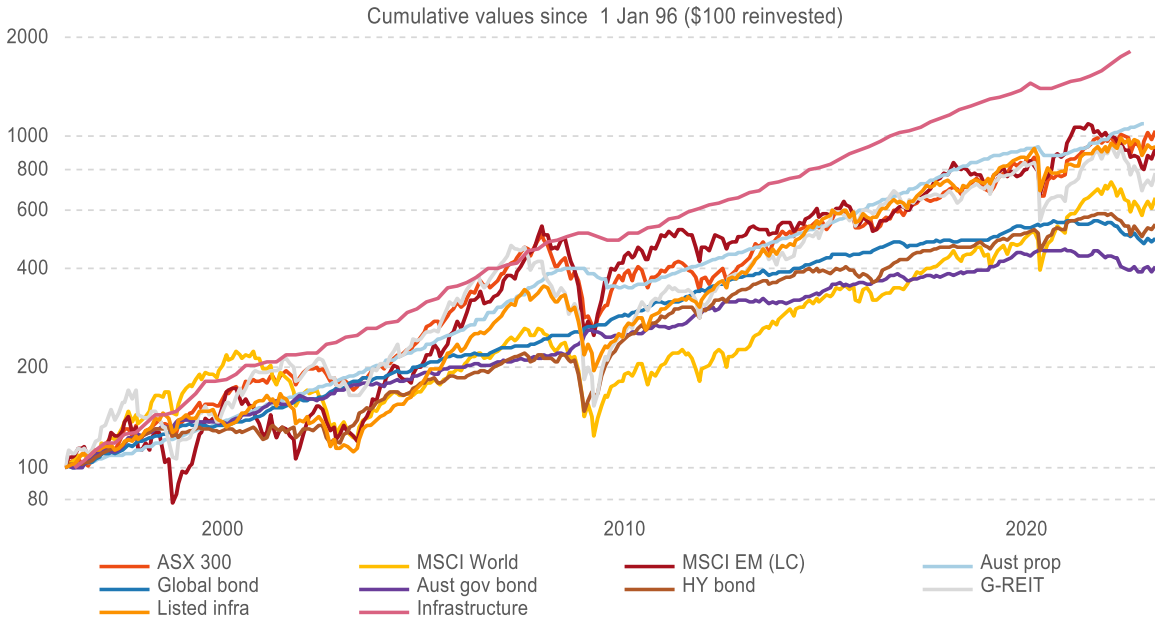


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Asset class long-term returns





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