

Monthly Market Snapshot

February 2023

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

Market commentary

Stocks and bonds both produced negative returns over the month of February as investors reassess their expectations for both the peak in interest rates and the subsequent pace of rate cuts. News headlines are dominated by improving but still high inflation rates, the possibility of a recession, the ongoing Ukraine-Russia war, and continued interest rate increases.

In the US, inflation is moderating but remains well above the Federal Reserve's target range. Lower energy costs, easing supply chain issues and goods disinflation have driven the decline in headline CPI. However, services continued to place upward pressure on the headline rate. The January labour market report continued to stand strong in terms of job growth. Retail sales also surprised to the upside. The resilient economic data had a large impact on expectations for the timing and extent of future Fed rate hikes. With economic data indicating that a recession may not be imminent, bond yields moved higher. Equity markets declined at the prospect of less monetary easing in the near future, producing negative returns over February.

Within the Eurozone, headline inflation decreased while the core inflation remained steady. Market analysts anticipate further interest rates increases. The drop in energy prices persisted throughout the month, yielding favourable outcomes for households and businesses. Consumer confidence has rebounded from its exceptionally low point in late 2022, potentially indicating an increase in spending in the upcoming months. Additionally, certain energy-intensive manufacturing sectors are recommencing production that had been halted during the height of the energy crisis. With risks of a deep recession decreasing significantly, Europe has been among the best performing equity markets.

The European Central Bank (ECB), Bank of England (BoE) and Federal Reserve all announced rate hikes at the start of the month, in line with expectations. The Federal Reserve raised interest rates by 25 basis points, which was a decrease from the 50 basis points hike in December. Meanwhile, ECB and BoE 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 economic reopening is a material change and provides a positive potential growth upside. February Purchasing Manager Index (PMI) and monthly corporate new loans both rebounded significantly. Mobility and manufacturing production also show rapidly recovering economic activity. However, consumer sentiment is subdued, and the weakened property sector is yet to respond to the large, targeted stimulus. China's reopening is likely to lift the trade outlook for its regional partners in Asia.

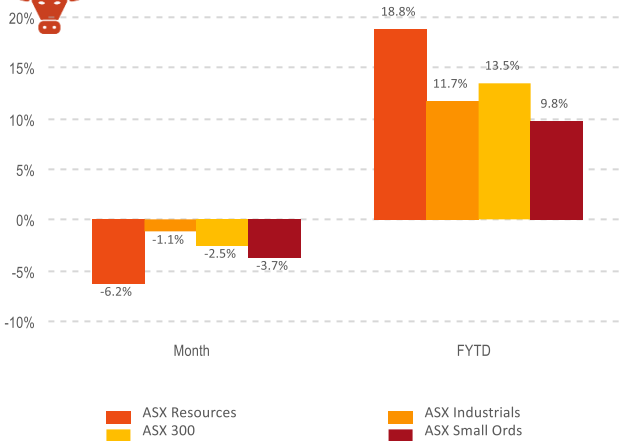
Japan is on a modest recovery path, with energy and policy measures supporting higher inflation and wages.

Australian stocks and bonds both finished the month with negative returns. Miners continued to dominate the top performers among individual stocks. AUD/USD depreciated sharply over February, driven by a succession of upside US economic data surprises, repricing of Fed policy expectations and a related USD strength alongside deterioration in risk sentiment indicators. Australia's property market downturn stalled in February with home prices up nationally amid skyrocketing interest rates and continuous price falls over the past year, producing mild negative return for listed property and positive return for infrastructure for the month.

February 2023



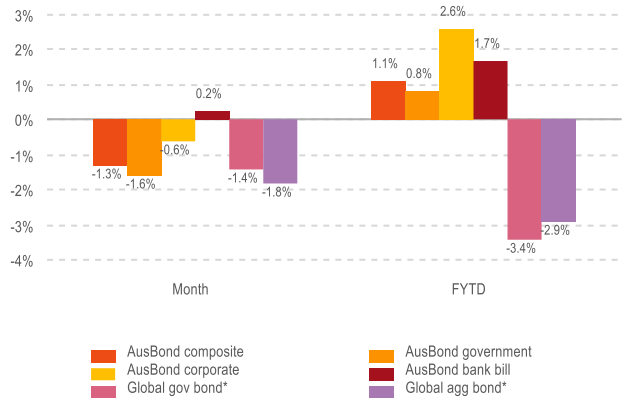
Australian equities



Source: Refinitiv Datastream



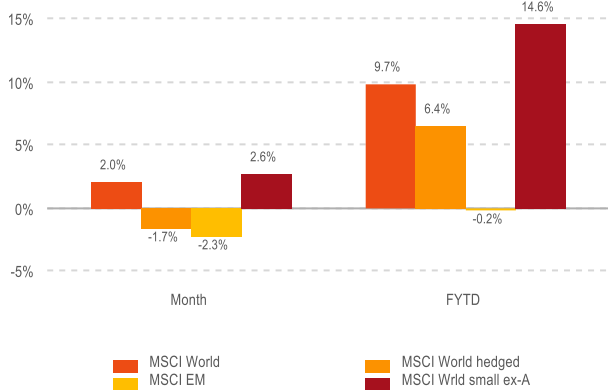
Fixed income



Source: Refinitiv Datastream



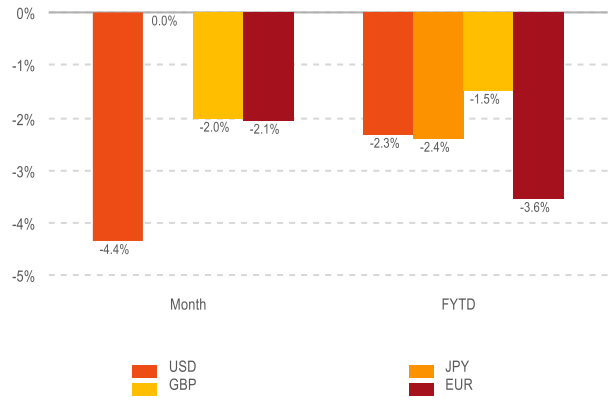
International equities (\$A)



Source: Refinitiv Datastream



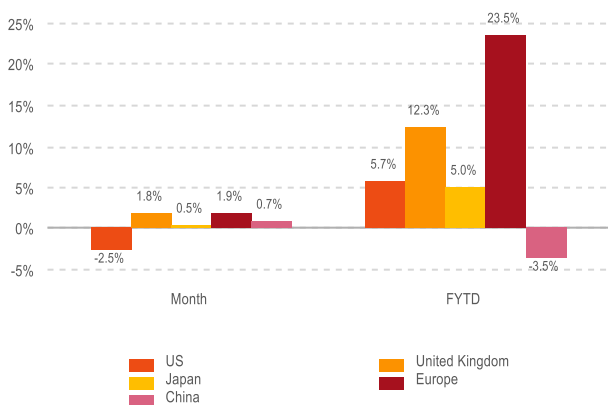
Australian dollar



Source: Refinitiv Datastream



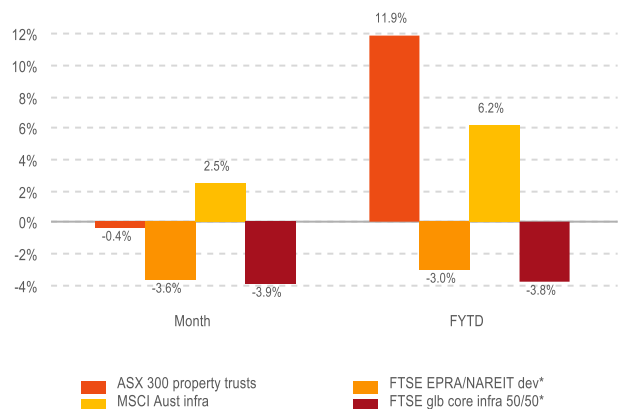
International equities



Source: Refinitiv Datastream











Real assets



Source: Refinitiv Datastream *Hedged A\$

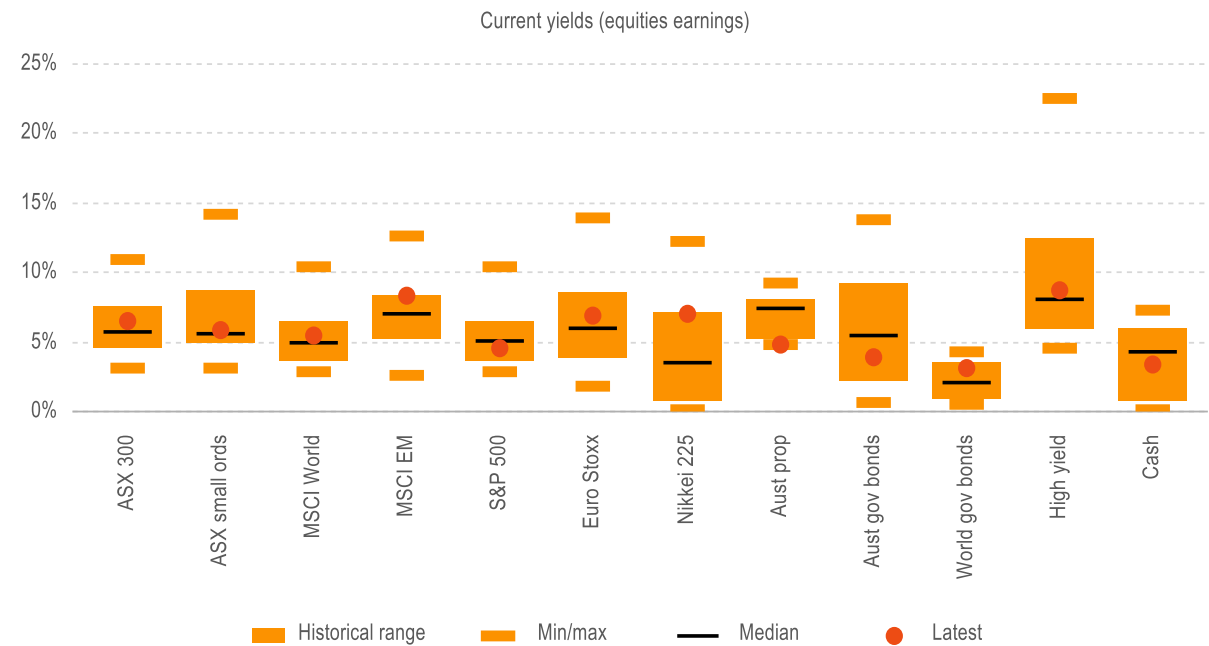
Details of the indices are in the table on the next page

February 2023

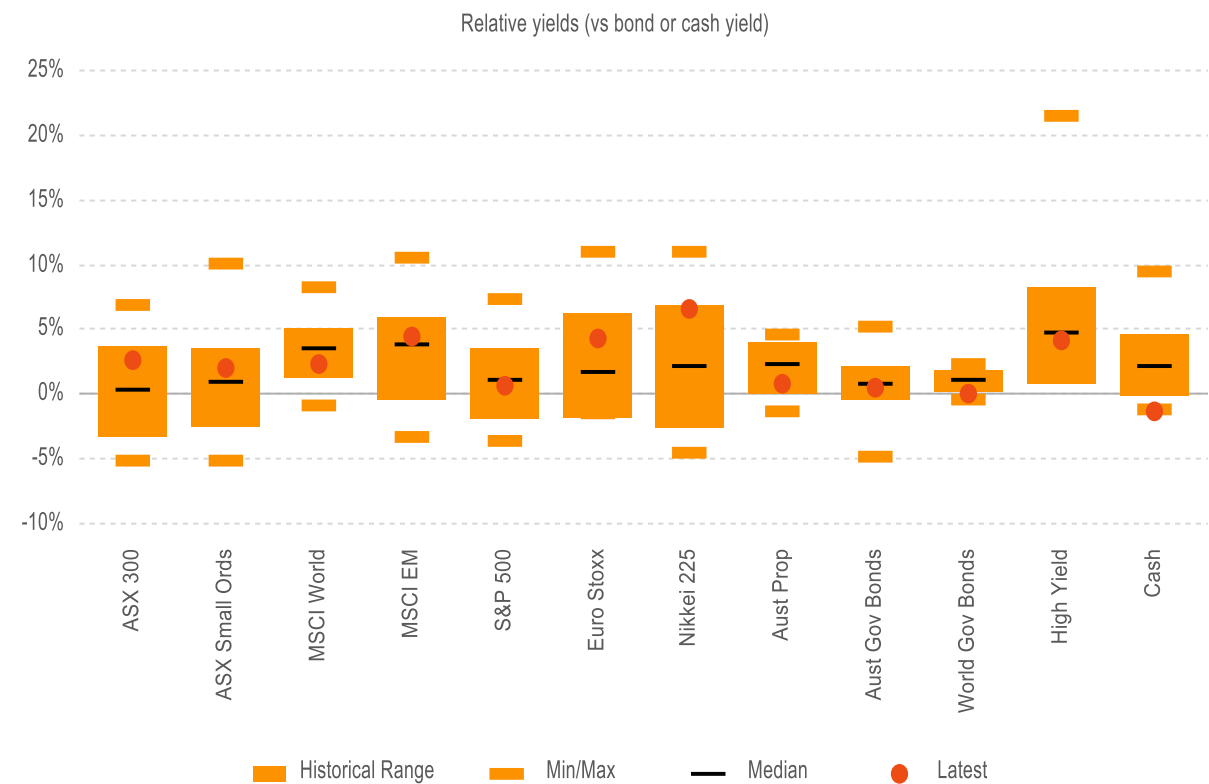
	Index Value	Month	3 Months	FYTD	1 Year	5 Yr p.a.	
Australian Equities							
	S&P/ASX 300 Accum. Index	7,218	-2.5%	0.2%	13.5%	7.9%	
	S&P/ASX 300 Accum. Industrials Index	10,733	-1.1%	0.4%	11.7%	6.3%	
	S&P/ASX 300 Accum. Resources Index	5,973	-6.2%	-0.5%	18.8%	13.6%	
	ASX Small Caps Accum. Index	2,864	-3.7%	-1.2%	9.8%	3.6%	
International Equities							
	MSCI World Index (\$A)	4,508	2.0%	-0.6%	9.7%	10.0%	
	MSCI World Index (Hedged \$A)	3,704	-1.7%	-0.9%	6.3%	6.6%	
	MSCI Emerging Markets Index (\$A)	1,032	-2.3%	-1.2%	-0.2%	1.0%	
	MSCI World ex-Aus Small Cap Index (\$A)	590	2.6%	2.9%	14.6%	8.1%	
	US (S&P 500 Index in USD)*	3,970	-2.6%	-2.7%	4.9%	7.9%	
	US Tech (NASDAQ Index in USD)*	11,456	-1.1%	-0.1%	3.9%	9.5%	
	United Kingdom (FTSE 100 Index in GBP)*	7,876	1.3%	4.0%	9.9%	1.7%	
	Japan (Nikkei 225 Index in JPY)*	27,446	0.4%	-1.9%	4.0%	4.5%	
	Europe (Stoxx 50 Index in EUR)*	4,238	1.8%	6.9%	22.7%	4.3%	
	China (Shanghai Composite Index in CNY)*	3,280	0.7%	4.1%	-3.5%	0.1%	
AUD versus ...							
	USD	0.67	-4.4%	0.5%	-2.3%	-2.9%	
	JPY	91.68	0.0%	-1.2%	-2.4%	1.9%	
	GBP	0.56	-2.0%	0.0%	-1.5%	-0.1%	
	EUR	0.64	-2.1%	-1.8%	-3.6%	-0.1%	
Real Assets							
	ASX 300 Listed Property Trusts Accum. Index	1,442	-0.4%	3.3%	11.9%	6.7%	
	FTSE EPRA / NAREIT Dev. Index (Hedged \$A)	1,498	-3.6%	0.1%	-3.0%	2.0%	
	MSCI Australia Infrastructure	1,310	2.5%	1.6%	6.2%	7.2%	
	FTSE Global Core Infra 50/50 Index (Hedged \$A)	2,311	-3.9%	-5.1%	-3.8%	6.3%	
Oil and Commodities							
	Crude Oil (US\$/bbl)	76.9	-2.4%	-4.4%	-28.5%	4.6%	
	Copper Spot (US\$/tonne)	8,951	-2.7%	8.8%	8.4%	5.4%	
	Gold Spot (US\$/ounce)	1,826	-5.3%	4.2%	1.1%	6.7%	
Australian Fixed Interest							
	Bloomberg AusBond Composite Index	9,514	-1.3%	-0.7%	1.1%	0.8%	
	Bloomberg AusBond Government Index	9,826	-1.6%	-1.1%	0.8%	0.8%	
	Bloomberg AusBond Corporate Index	10,344	-0.6%	0.9%	2.6%	1.7%	
	Bloomberg AusBond Bank Bill Index	9,182	0.2%	0.8%	1.7%	1.1%	
Global Fixed Interest							
	Bloomberg Global Gov. Bond Index (Hedge \$A)	333	-1.4%	-1.5%	-3.4%	0.0%	
	Bloomberg Global Agg. Bond Index (Hedge \$A)	963	-1.8%	-1.0%	-2.9%	0.0%	
Fixed Income (yields) as at ...							
		Feb 2023	Jan 2023	Nov 2022	Jun 2022	Feb 2022	Feb 2018
	Australia Bank Bill	3.38	3.18	2.95	1.14	0.02	1.70
	Australia 10-Year Government Bond	3.87	3.56	3.54	3.69	2.16	2.79
	US 10-Year Government Bond	3.91	3.53	3.70	2.97	1.84	2.87
	UK 10-Year Government Bond	3.82	3.33	3.16	2.24	1.41	1.50
	Germany 10-Year Government Bond	2.63	2.28	1.95	1.37	0.16	0.66
	Japan 10-Year Government Bond	0.50	0.49	0.25	0.23	0.18	0.05

*Price Index

Asset class yields relative to history

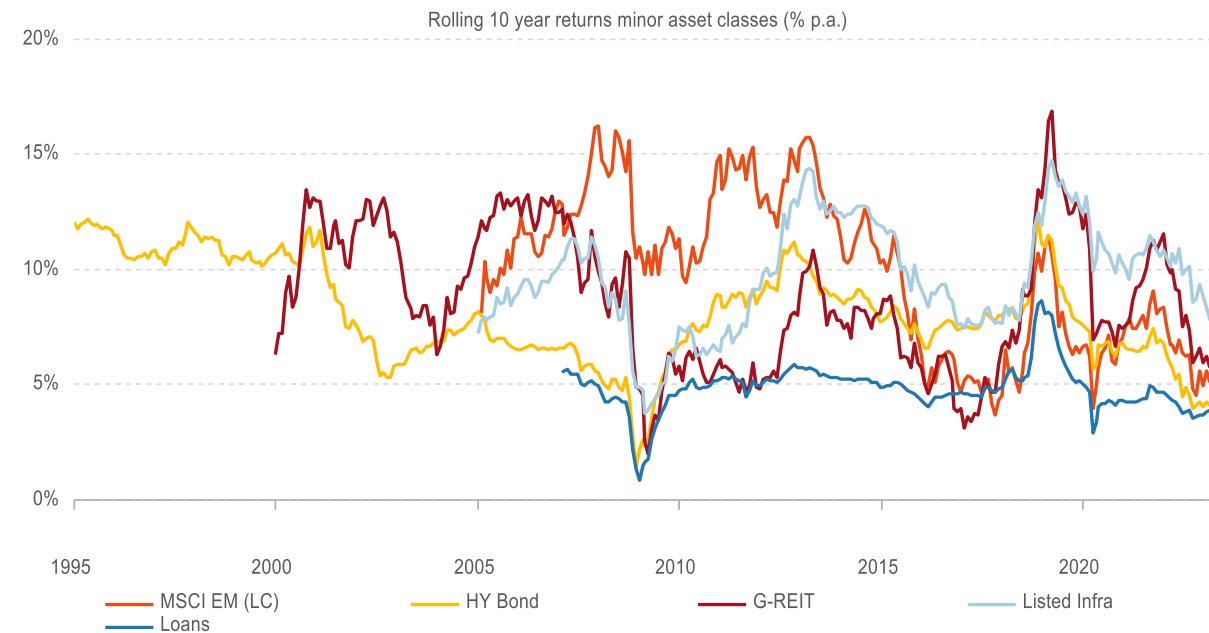
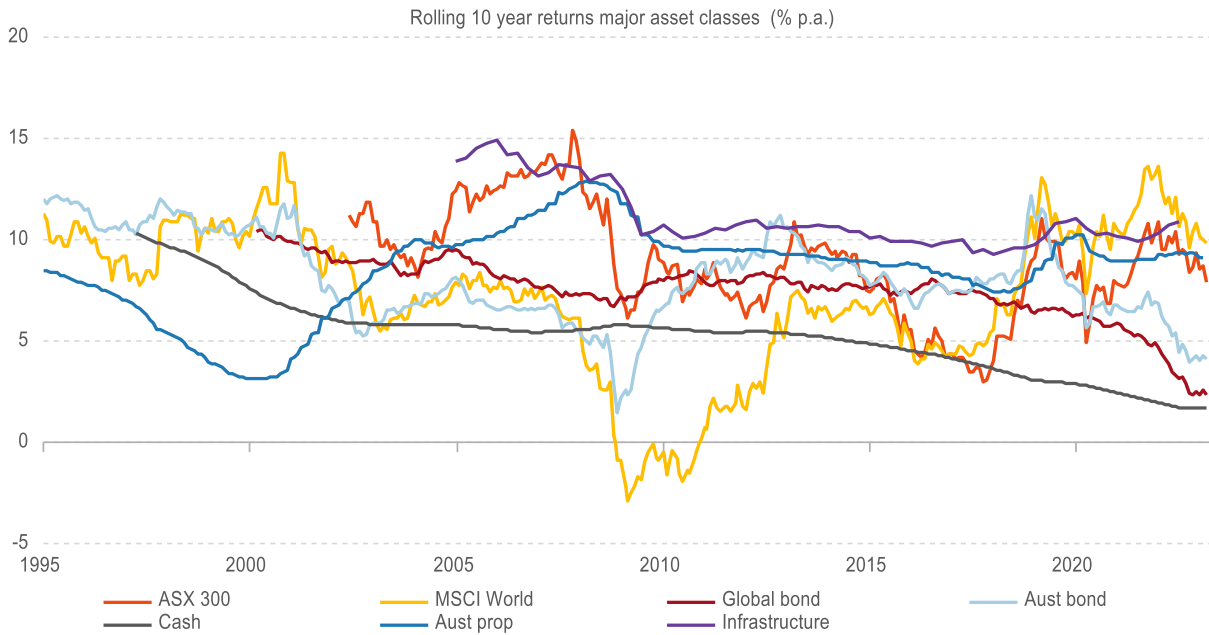


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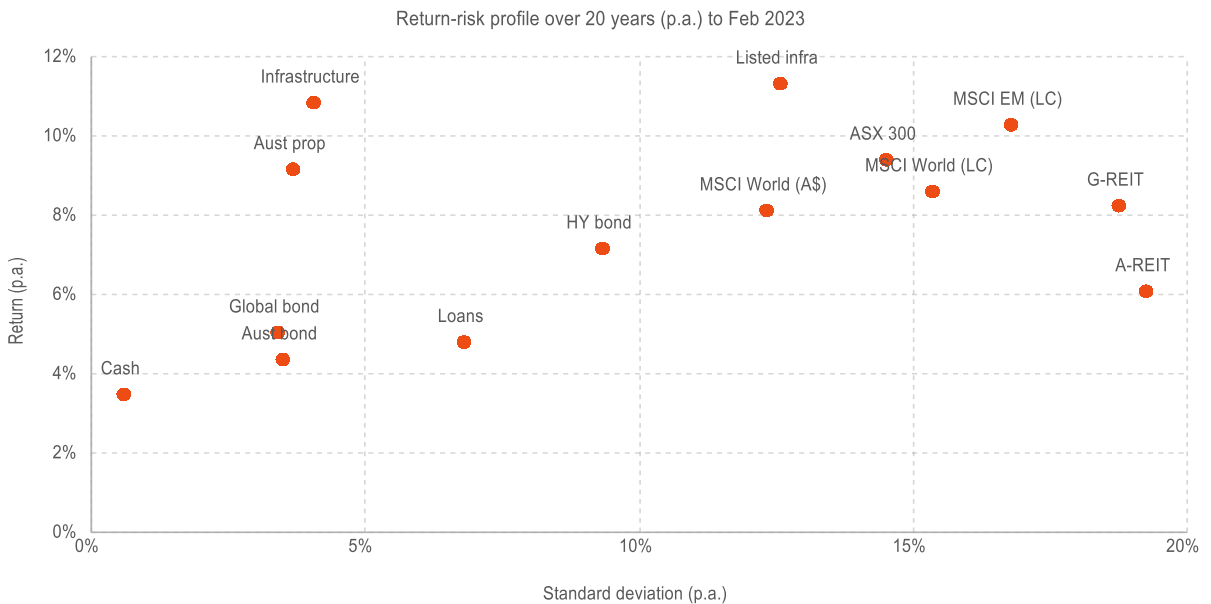
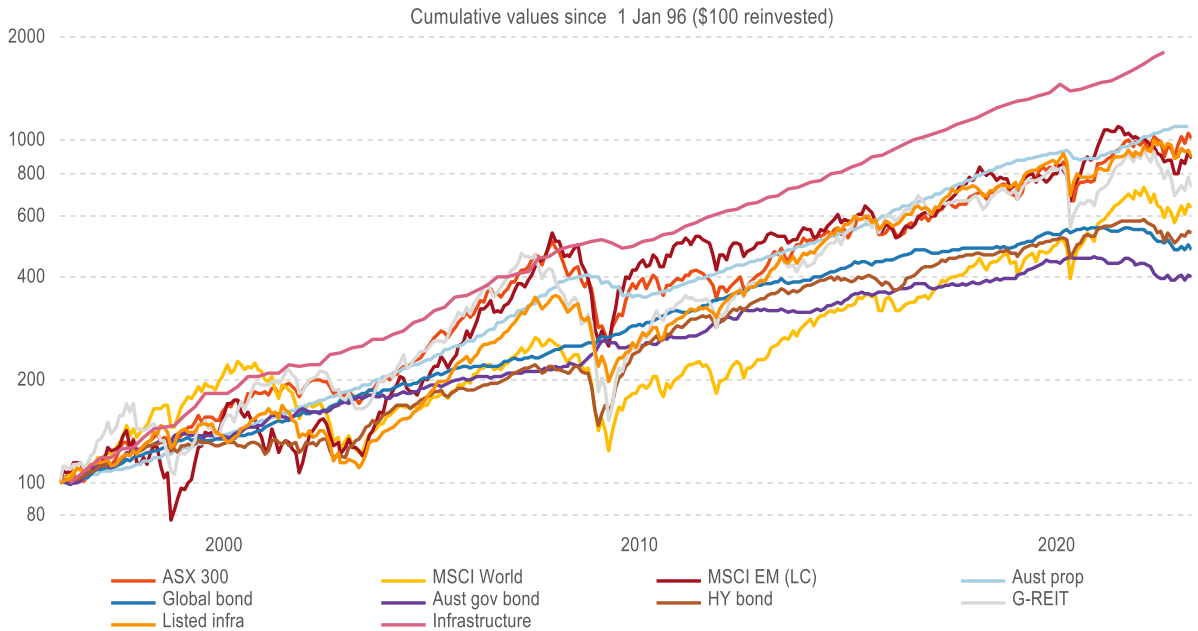


Source: Refinitiv Datastream

Asset class long-term returns



Asset class long-term returns





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