

Monthly Market Snapshot

May 2023

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

Market commentary

Global stocks overall produced a small negative return for the month of May, but there was material divergence in performance across regions and sectors. Volatility in markets was impacted by economic developments, expectations of future interest rate changes and news linked to the US debt ceiling.

Some measures of economic activity point to more resilience in the US economy. March quarter GDP growth was revised upwards and labour market data released for April showed stronger than expected jobs growth.

The US debt ceiling is law that limits the total amount of money the Government can borrow. Historically Congress has raised or suspended the limit as needed but there is heightened political uncertainty. If an agreement is not reached the US may default on its debt which could cause major economic damage. As the debt ceiling was forecast to be reached in June, progress on negotiations influenced financial market movements in May. Market sentiment turned more optimistic late in the month as a deal to suspend the debt ceiling until 2025 was agreed and the US stock market produced a small positive return for the month. Technology stocks continued to produce strong positive returns during the month, boosted by expectations of growth related to artificial intelligence (AI) developments.

In Europe, the economic news was less positive as the latest Eurozone purchasing managers' index (PMI) manufacturing survey fell to its recent lowest level. Europe and UK equities had negative returns in May. While Japan, was a stand out market, posting a large positive return in the month. GDP growth in Japan is solid and after a long deflationary period, an increase in inflation is viewed more positively.

The Australian stock market lost value in May. Resources stocks were down as commodity prices fell across energy and industrial commodities, including key Australian exports, iron ore and coal.

Emerging markets equities were negative in May, in particularly Chinese equities produced material negative returns. China is experiencing deflationary

pressures, which signal weak demand momentum and the ailing property sector recorded a sharp decline in new home sales.

Inflation is moderating at varying speeds across markets. However, tight labour market conditions and high nominal wage growth maintains inflationary pressures and the market pricing is for further interest rate rises. In particular, core inflation remains stubbornly high in Europe and UK. In Australia, the latest inflation data increased slightly. Housing supply shortfall from an immigration-led surge in demand continues to drive up rental inflation, impacting the likelihood of the RBA ending rate hikes.

Government bond yields rose in May following expectations for further rate tightening. Global government bonds produced a negative return due to yields rising, with Australian government bonds a relatively larger negative return, with yields rising more materially over the month.

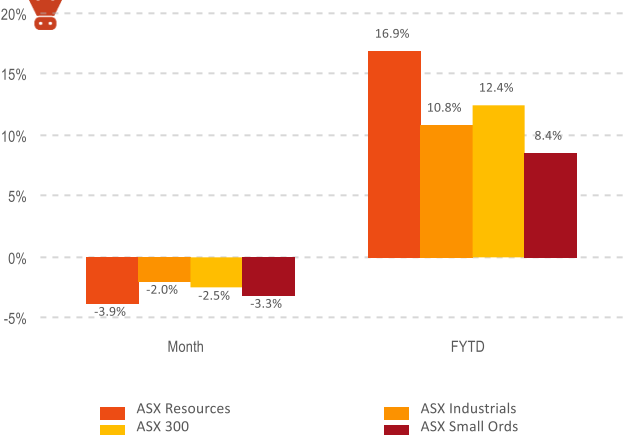
The Australian Dollar was slightly lower against the US Dollar and the British Pound but appreciated against the Japanese Yen and Euro. Movements in currencies reflecting differences in relative economic outlooks, inflation conditions and expected future interest rate movements.

Listed property and infrastructure produced negative returns in May as bond yields rose and risk sentiment was volatile.

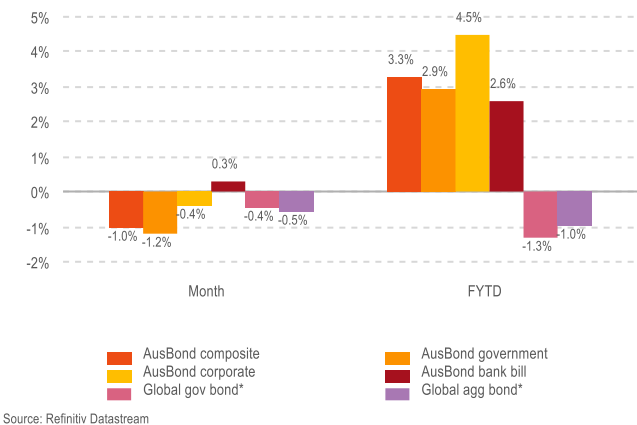
May 2023



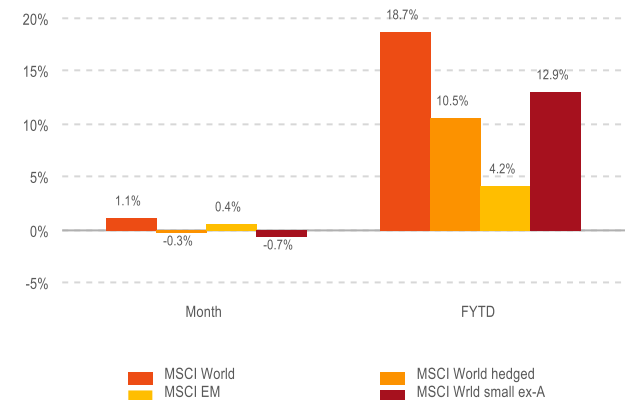
Australian equities



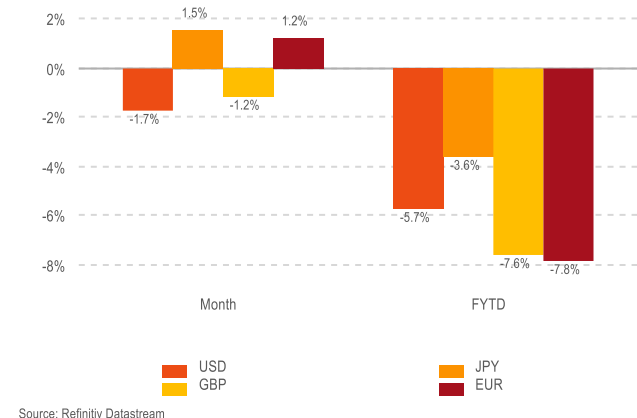
Fixed income



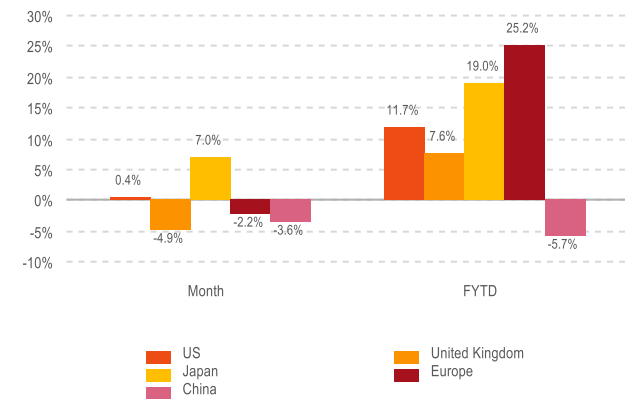
International equities (\$A)



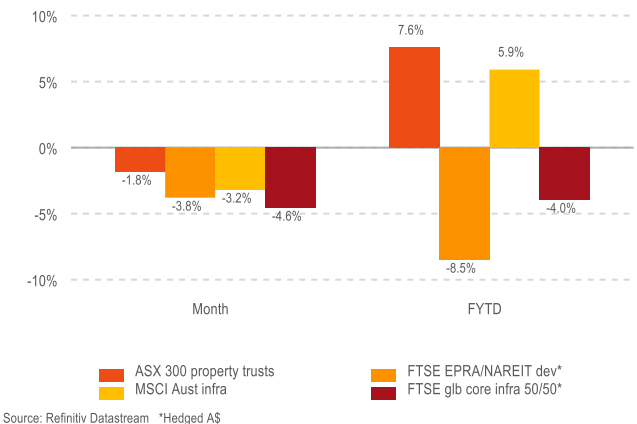
Australian dollar



International equities











Real assets



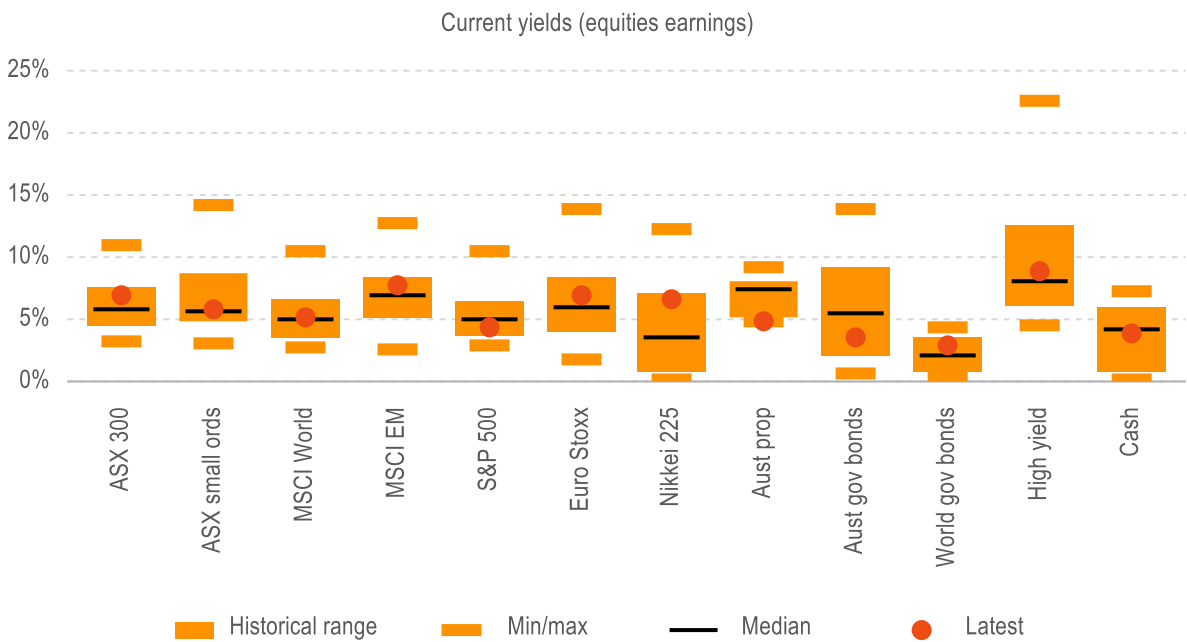
Details of the indices are in the table on the next page

May 2023

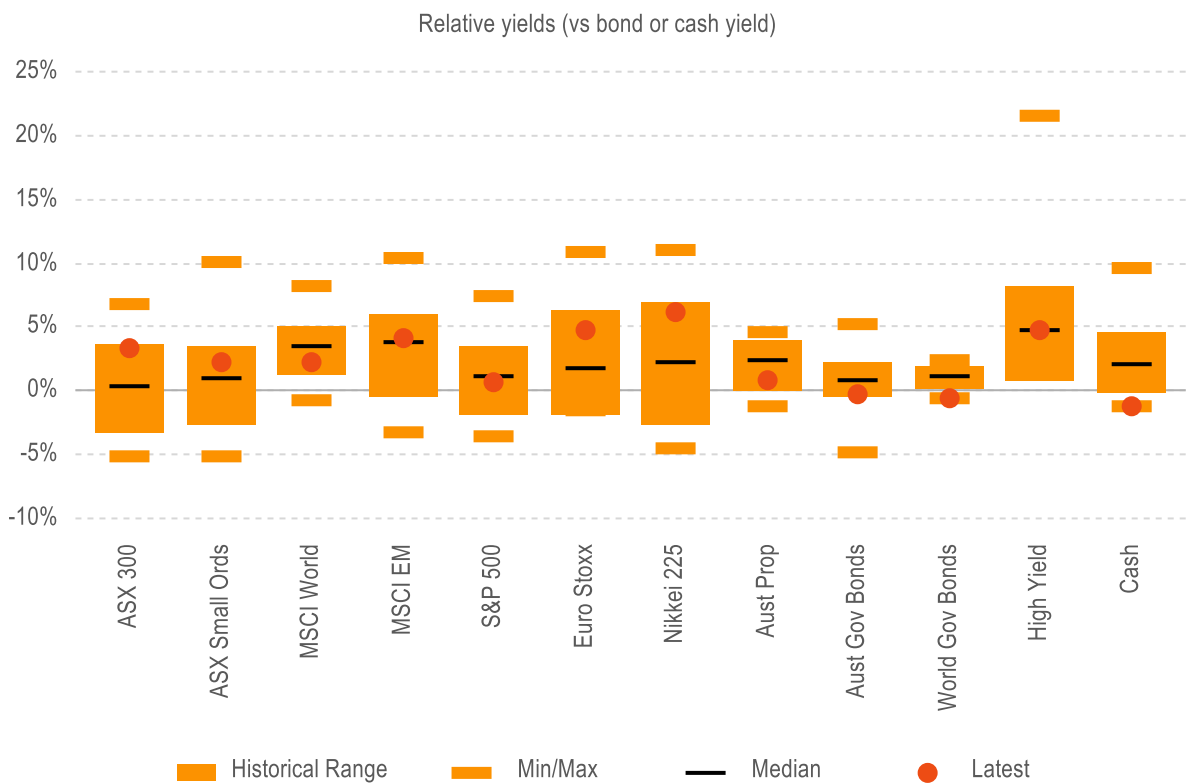
	Index Value	Month	3 Months	FYTD	1 Year	5 Yr p.a.
 Australian Equities						
S&P/ASX 300 Accum. Index	7,048	-2.5%	-1.0%	12.4%	2.4%	7.4%
S&P/ASX 300 Accum. Industrials Index	10,532	-2.0%	-0.8%	10.8%	1.8%	6.2%
S&P/ASX 300 Accum. Resources Index	5,753	-3.9%	-1.5%	16.9%	4.0%	11.6%
ASX Small Caps Accum. Index	2,802	-3.3%	-1.3%	8.4%	-5.8%	2.5%
 International Equities						
MSCI World Index (\$A)	4,847	1.1%	8.2%	18.7%	13.1%	11.2%
MSCI World Index (Hedged \$A)	3,846	-0.3%	3.8%	10.4%	1.5%	7.2%
MSCI Emerging Markets Index (\$A)	1,069	0.4%	4.4%	4.2%	1.4%	2.5%
MSCI World ex-Aus Small Cap Index (\$A)	578	-0.7%	-1.4%	12.9%	6.4%	6.4%
US (S&P 500 Index in USD)*	4,180	0.2%	5.3%	10.4%	1.2%	9.1%
US Tech (NASDAQ Index in USD)*	12,935	5.8%	12.9%	17.3%	7.1%	11.7%
United Kingdom (FTSE 100 Index in GBP)*	7,446	-5.4%	-5.5%	3.9%	-2.1%	-0.6%
Japan (Nikkei 225 Index in JPY)*	30,888	7.0%	12.5%	17.0%	13.2%	6.8%
Europe (Stoxx 50 Index in EUR)*	4,218	-3.2%	-0.5%	22.1%	11.3%	4.4%
China (Shanghai Composite Index in CNY)*	3,205	-3.6%	-2.3%	-5.7%	0.6%	0.7%
 AUD versus ...						
USD	0.65	-1.7%	-3.5%	-5.7%	-9.6%	-3.0%
JPY	90.56	1.5%	-1.2%	-3.6%	-1.5%	1.9%
GBP	0.52	-1.2%	-6.2%	-7.6%	-8.1%	-1.6%
EUR	0.61	1.2%	-4.4%	-7.8%	-9.2%	-1.3%
 Real Assets						
ASX 300 Listed Property Trusts Accum. Index	1,384	-1.8%	-3.8%	7.6%	-3.6%	4.4%
FTSE EPRA / NAREIT Dev. Index (Hedged \$A)	1,400	-3.8%	-5.7%	-8.5%	-15.7%	-0.7%
MSCI Australia Infrastructure	1,301	-3.2%	-0.2%	5.9%	3.9%	7.0%
FTSE Global Core Infra 50/50 Index (Hedged \$A)	2,283	-4.6%	-0.2%	-4.0%	-8.8%	5.4%
 Oil and Commodities						
Crude Oil (US\$/bbl)	68.1	-11.3%	-11.5%	-36.8%	-40.6%	0.3%
Copper Spot (US\$/tonne)	8,070	-5.9%	-9.8%	-2.2%	-14.6%	3.4%
Gold Spot (US\$/ounce)	1,971	-1.0%	8.0%	9.1%	6.8%	8.6%
 Australian Fixed Interest						
Bloomberg AusBond Composite Index	9,715	-1.0%	2.1%	3.3%	1.7%	1.0%
Bloomberg AusBond Government Index	10,032	-1.2%	2.1%	2.9%	1.6%	0.9%
Bloomberg AusBond Corporate Index	10,529	-0.4%	1.8%	4.5%	3.1%	1.9%
Bloomberg AusBond Bank Bill Index	9,263	0.3%	0.9%	2.6%	2.6%	1.1%
 Global Fixed Interest						
Bloomberg Global Gov. Bond Index (Hedge \$A)	340	-0.4%	2.2%	-1.3%	-2.5%	0.2%
Bloomberg Global Agg. Bond Index (Hedge \$A)	982	-0.5%	2.0%	-1.0%	-2.6%	0.2%
 Fixed Income (yields) as at ...						
	May 2023	Apr 2023	Feb 2023	Jun 2022	May 2022	May 2018
Australia Bank Bill	3.84	3.61	3.38	1.14	0.55	1.86
Australia 10-Year Government Bond	3.60	3.39	3.87	3.69	3.35	2.67
US 10-Year Government Bond	3.63	3.43	3.91	2.97	2.84	2.82
UK 10-Year Government Bond	4.18	3.72	3.82	2.24	2.10	1.23
Germany 10-Year Government Bond	2.27	2.32	2.63	1.37	1.13	0.34
Japan 10-Year Government Bond	0.43	0.38	0.50	0.23	0.24	0.04

*Price Index

Asset class yields relative to history

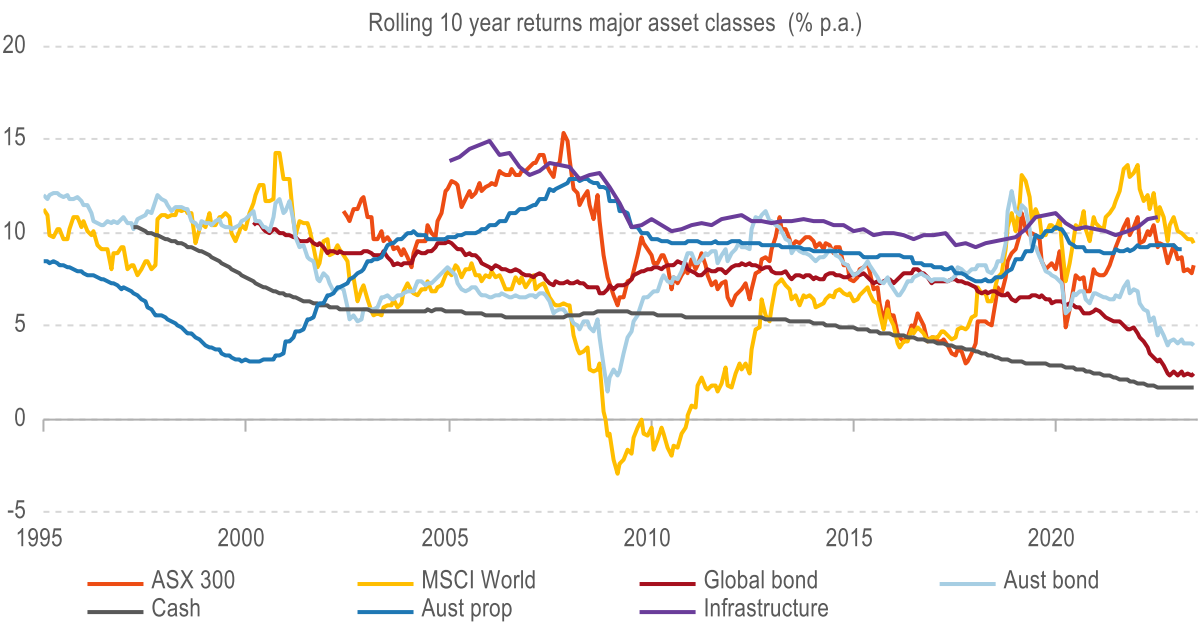


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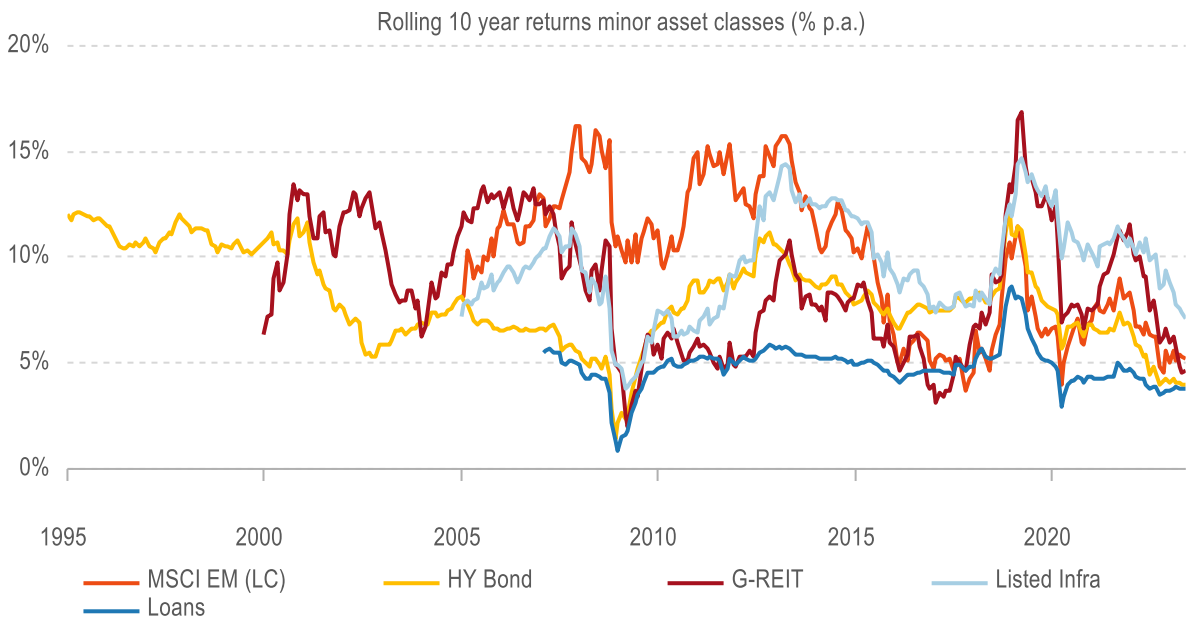


Source: Refinitiv Datastream

Asset class long-term returns

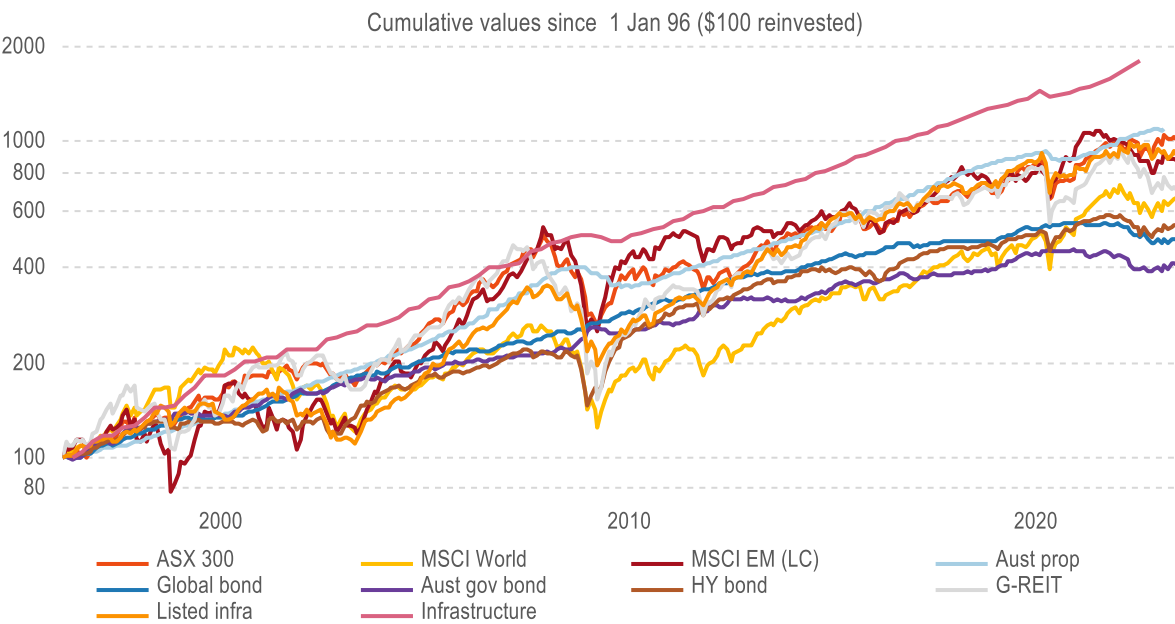


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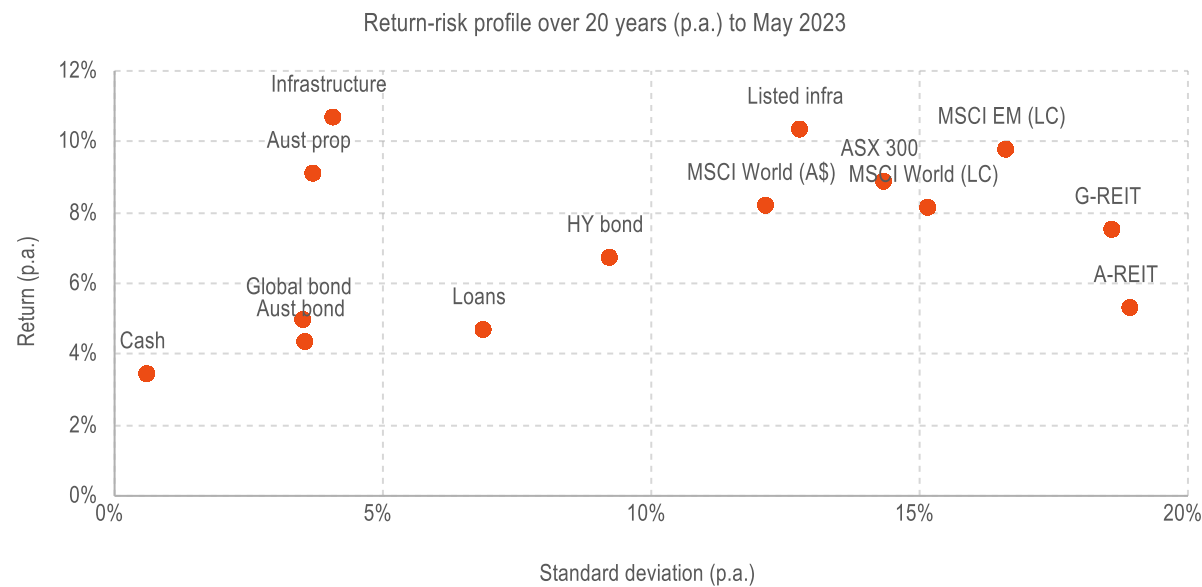


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Asset class long-term returns



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