

Market Review

September 2020

How the different asset classes have fared:

(As at 30 September 2020)

| Asset Class | 10 Yr % p.a. | 5 Yr % p.a. | 3 Yr % p.a. | 1 Yr % p.a. | YTD % | 6 Mth % | 3 Mth % | 1 Mth % |
|---|-----------------|----------------|----------------|----------------|----------|------------|------------|------------|
| Cash ¹ | 2.56 | 1.63 | 1.40 | 0.58 | 0.35 | 0.09 | 0.03 | 0.01 |
| Australian Bonds ² | 5.58 | 4.53 | 5.96 | 3.21 | 4.59 | 1.55 | 1.02 | 1.08 |
| International Bonds ³ | 5.72 | 4.52 | 4.66 | 3.47 | 4.27 | 2.96 | 0.68 | 0.37 |
| Australian Shares ⁴ | 7.00 | 7.73 | 5.46 | -8.76 | -9.43 | 19.05 | 1.10 | -3.43 |
| Int. Shares Unhedged ⁵ | 13.06 | 9.67 | 12.68 | 6.83 | 0.40 | 1.15 | 2.94 | 3.47 |
| Int. Shares Hedged ⁶ | 12.84 | 10.34 | 9.06 | 12.23 | 2.02 | 11.90 | 12.15 | 6.11 |
| Emerging Markets Unhedged ⁷ | 5.39 | 7.23 | 4.78 | 3.67 | -5.58 | -3.23 | 6.84 | -0.91 |
| Listed Infrastructure Unhedged ⁸ | 11.36 | 6.30 | 5.90 | -13.46 | -12.54 | -2.81 | -0.90 | 2.29 |
| Australian Listed Property ⁹ | 9.75 | 5.99 | 4.12 | -15.81 | -15.19 | 29.10 | 7.38 | -1.15 |
| Int. Listed Pty Unhedged ¹⁰ | 8.30 | 0.88 | 0.61 | -26.00 | -23.49 | -4.32 | -2.59 | -0.23 |

1 Bloomberg AusBond Bank 0+Y TR AUD, 2 Bloomberg AusBond Composite 0+Y TR AUD, 3 Bloomberg Barclays Global Aggregate TR Hdg AUD, 4 S&P/ASX All Ordinaries TR, 5 Vanguard International Shares Index, 6 Vanguard Intl Shares Index Hdg AUD TR, 7 Vanguard Emerging Markets Shares Index, 8 FTSE Developed Core Infrastructure 50/50 NR AUD, 9 S&P/ASX 300 AREIT TR, 10 FTSE EPRA/NAREIT Global REITs NR AUD

Emerging Markets

Emerging markets slipped slightly in September as a stronger US dollar, further tensions between the US and China, and volatile prices in the technology sector placed downward pressure on the index. US efforts to prevent Chinese companies from remaining in their markets continue to weigh on sentiment and an end to the sell-off in the US dollar may cause more pain for EM companies and households making purchases of imported goods.

International Shares and infrastructure

International shares finished the month higher. Hedged investors benefited from a falling Australian dollar. The month was book-ended by a fall in the index at the beginning of September and a rally as investor sentiment improved going into October.

Valuations in Europe continue to remain more attractive on a price-to-earnings basis than in the United States but repeated waves of COVID-19 and a poor outlook for the region's banking system has meant that the regional index has struggled to rise. Japan continued to rally, albeit at a slower pace than in August as the country brought its second wave under control and attractive valuations drew in investment. US shares were more volatile than in July and August as high valuations, particularly in the technology sector, led to volatility.

Australian Dollar and Australian Shares

The Australian dollar fell during September as risk sentiment deteriorated and investors speculated that the Reserve Bank of Australia will further reduce interest rates from 0.25% to 0.1% at its next meeting in early October. The dollar rose slightly as a rally in local and international share markets at the end of the month signaled improving risk sentiment but still finished the quarter down by almost 3%. Australian shares also ended the month lower as a new bout of volatility raised questions about high valuations in IT and consumer discretionary stocks, and the prolonged economic shutdown pulled down valuations in commercial real estate.

Fixed income

Australian fixed income rallied in September as speculation that the Reserve Bank of Australia will announce further easing at its October meeting placed downward pressure on yields. International fixed-income investors were also helped by central banks. In the US, yields fell as the Federal Reserve signaled it plans to maintain near-zero interest rates until 2023.

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