

Market Review

January 2021

How the different asset classes have fared:

(As at 31 January 2021)

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	2.40	1.48	1.21	0.29	0.00	0.04	0.01	0.00
Australian Bonds ²	5.45	4.22	5.36	1.68	-0.42	0.12	-0.80	-0.42
International Bonds ³	5.78	4.09	4.66	2.63	-0.57	-0.14	0.21	-0.57
Australian Shares ⁴	7.92	10.55	7.67	-0.71	0.30	14.95	12.43	0.30
Int. Shares Unhedged ⁵	12.67	11.68	10.45	0.98	-0.41	8.54	6.48	-0.41
Int. Shares Hedged ⁶	11.62	12.53	7.48	10.17	-0.79	14.10	14.47	-0.79
Emerging Markets Unhedged ⁷	6.60	12.58	5.77	10.62	3.54	15.48	10.27	3.54
Listed Infrastructure Unhedged ⁸	10.80	6.19	5.77	-20.25	-1.81	-1.40	-2.68	-1.81
Australian Listed Property ⁹	10.53	6.30	5.55	-13.33	-4.07	15.92	8.93	-4.07
Int. Listed Pty Unhedged ¹⁰	8.36	1.86	3.09	-23.48	0.28	3.95	7.09	0.28

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

The year began rather dramatically. In the US, President Donald Trump called out to his supporters to help him contest the November US election results, which saw thousands of pro-Trump supporters descend onto the White House. The mob shattered windows, ransacked offices and pounded on barricaded doors. Throughout the chaos, the US stock market continued to rally due to the anticipation of more stimulus for the economy once President Biden enters office.

A disappointing final week of the month led to the S&P/ASX 200 climbing just 0.3% in January. The lackluster performance was linked to poor Wall Street performance after investors became spooked by extraordinary volatility in stocks with significant short selling exposure.

A group of two million members of a Reddit subgroup called r/WallStreetBets (now 10 million members) turned the finance industry upside down late in the month. A short squeeze of the stock of the American video game retailer GameStop and other securities took place, causing major financial consequences for certain hedge funds and large losses for short sellers.

Despite the last week of the month's negative returns, January still managed to be a positive month. Most companies saw activity and profits rebound, and with few foreign travel options, Australians are spending more at home.

The Australian dollar reached a high of 78 US cents for the month. This has been attributed to rising iron ore prices, brought about by news of record-high steel output in China. The strength of the Australian dollar has caused some concern for the RBA because of its impact on growth and inflation.

House prices hit record highs in January, surpassing pre-COVID levels. Every capital city saw an increase in values. This growth can be attributed to various government policies and stimulus measures that helped keep the economy afloat during the pandemic. This included \$507 billion in stimulus policies and up to \$200 billion by the RBA in near free (0.1 per cent interest) funding for the banks.

Bitcoin experienced a tremendous surge in value. Much of this rise has been linked to the flow of institutional money. The current bull run has seen it surpass its previous all-time high of December 2017.

News of several potentially highly effective vaccines against COVID-19 has significantly reduced uncertainty over the global outlook for 2021 and beyond, which is positive for all markets, including Australia. However, there remains the possibility that the existing vaccines may not be effective against all the new mutated COVID-19 variants.

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