

Market Review

October 2021

How the different asset classes have fared:

(As at 31 October 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	2.02	1.17	0.73	0.03	0.02	0.01	0.00	0.00
Australian Bonds ²	4.19	2.58	2.72	-5.30	-4.94	-2.33	-4.93	-3.55
International Bonds ³	4.78	2.85	4.06	-1.05	-1.82	0.48	-1.45	-0.26
Australian Shares ⁴	10.19	11.37	12.91	28.97	15.06	6.87	1.13	0.15
Int. Shares Unhedged ⁵	16.44	15.96	16.15	31.48	22.98	12.00	1.60	1.65
Int. Shares Hedged ⁶	14.38	14.84	16.47	39.75	21.13	9.61	4.17	5.41
Emerging Markets Unhedged ⁷	8.15	9.09	9.47	8.41	1.80	-2.63	-2.93	-2.93
Listed Infrastructure Unhedged ⁸	12.86	8.54	7.55	13.09	14.10	5.93	0.36	0.00
Australian Listed Property ⁹	13.11	9.53	10.59	31.85	16.11	13.27	4.94	0.60
Int. Listed Pty Unhedged ¹⁰	11.52	6.88	7.49	36.46	27.78	11.62	-0.45	2.23

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

Source: Centrepoint Research Team, Morningstar Direct

International Equities

International share markets (unhedged) rose 1.65% in October. Fully hedged international shares rose 5.41% on the month signaling a strengthening AUD across the month. Within the United States, the S&P 500 continues to make new all-time highs as markets in general have largely shrugged off the fears of inflation.

Australian Equities

The S&P/ASX All Ordinaries Index rose by 0.15% in October, rising not nearly as much as other markets such as the US. Australian equities traded largely sideways since August 2021. This has been primarily driven by major materials companies getting impacted by the sharp fall in the iron ore spot price. Materials companies make up a significant percentage of the wider index. This is combined with various economic indicators such as a rise in unemployment and a fall in consumer confidence which can be attributed to a slight rise in inflation expectations.

Domestic and International Fixed Income

Australian bonds had a significant fall in the final week of October (-3.55%). This was driven by an indication of policy change by the RBA as they stopped purchasing short-dated bonds which was part of their yield-curve control policy. Short-term yields rose sharply causing the Australian Bond Index to sell off. Sooner than expected rate rises could be what the RBA is attempting to set the stage for.

International bonds fell -0.26% as long dated government yields rose slightly. Inflation is now sitting at a 30 year high in the United States and looks to be moving upwards in many countries around the world. This is having an impact on bond yields and may cause central banks to start thinking about rising rates at a faster pace than previously anticipated.

Australian Dollar

The Australian dollar rose significantly in the month of October as it continues to move in a choppy trading pattern. Multiple factors such as rising inflation, central bank policy expectations, economic impacts of a slowing China and internal economic dynamics are all trying to be priced into the Australian Dollar causing a lack of clear trading direction at this point in time.

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