

MONTHLY MARKET UPDATE

February 2022

How the different asset classes have fared:

(As at 28 February 2022)

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	1.87	1.05	0.51	0.03	0.01	0.02	0.01	0.01
Australian Bonds ²	3.93	2.73	1.57	-1.09	-2.22	-5.10	-2.13	-1.21
International Bonds ³	4.12	2.43	2.15	-2.33	-2.91	-3.83	-3.34	-1.30
Australian Shares ⁴	9.62	9.03	9.27	10.00	-4.95	-4.13	-2.41	1.73
Int. Shares Unhedged ⁵	15.50	13.57	13.90	18.36	-7.58	-3.95	-5.98	-5.46
Int. Shares Hedged ⁶	12.68	11.29	13.24	12.40	-7.63	-4.08	-3.96	-2.72
Emerging Markets Unhedged ⁷	6.96	7.56	4.55	-5.85	-4.72	-9.89	-6.08	-5.69
Listed Infrastructure Unhedged ⁸	12.77	8.65	5.67	21.89	-3.54	1.23	1.21	-3.21
Australian Listed Property ⁹	12.33	8.24	7.53	24.86	-8.05	-0.76	-3.23	1.55
Int. Listed Property Unhedged ¹⁰	11.16	6.22	4.89	23.48	-8.52	-2.77	-4.26	-5.33

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

Unhedged and hedged international equities exposures again finished down in the month of February. Unhedged fell 5.46% hedged fell 2.72%. Whilst the markets were trending downwards due to the impacts of rising rates and inflation, Russia's invasion of Ukraine in the last few days of February really spooked markets further to the downside as the costs and repercussions of war were priced in. The United States makes up a significant proportion of this index and has been impacted severely by the current economic environment due to the high weightings of Technology stocks in their indexes. Technology stocks have fallen the most out of any sector across the last months.

Australian Equities

The S&P/ASX All Ordinaries Index actually rose 1.73% on the month. This was in stark contrast to the international equity's indices. Australia finished positive by the index weightings to energy, materials, consumer staples and financials. As previously stated, Australia has higher weightings than other international indexes in the materials, energy and financial sectors which has helped soften the impact of rising rates and inflation. The War in Russia and Ukraine sent materials and energy much higher to end the month due to the supply constraints getting priced in, this in turn, benefited some of Australia's largest companies.

Domestic and International Fixed Income

Both Australian and International Fixed Income fell 1.21% and 1.3% respectively on the month. The long-end 10-year yield curves rose across the world throughout February. This was the main contributor to the losses on the month. Generally, falling equity markets will cause bond prices to rise for protection against equity risk. This hasn't occurred substantially yet as Central Banks are looking to only start raising rates in March. This puts upward pressure on yields. Central Banks seem to be more concerned with stopping inflation than coming to the rescue of equity markets, hence why equity markets and bond markets are both falling at the same time.

Australian Dollar

The Australian Dollar (AUD) rose in February as money flowed into the domestic market. This occurred due to the high index weightings in sectors that tend to benefit from the current environment of higher commodity prices and higher rates. There was significant volatility during the days of the Russian invasion of Ukraine, however it ended spiking upwards in the final day of the month. This is not saying the Australian market is protected from what is happening globally, however during this month it was seen as a safe haven of sorts.

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