

MONTHLY MARKET UPDATE

June 2022

How the different asset classes have fared:

(As at 30 June 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	1.73	0.95	0.33	0.10	0.08	0.08	0.07	0.05
Australian Bonds ²	2.58	0.87	-2.58	-10.51	-9.46	-9.46	-3.81	-1.48
International Bonds ³	3.12	0.78	-1.63	-9.33	-9.41	-9.41	-4.66	-1.64
Australian Shares ⁴	9.35	7.15	3.81	-7.44	-11.50	-11.50	-12.91	-9.36
Int. Shares Unhedged ⁵	14.20	10.20	7.87	-6.46	-16.12	-16.12	-8.44	-4.67
Int. Shares Hedged ⁶	11.37	7.42	6.43	-12.39	-19.32	-19.32	-15.11	-8.15
Emerging Markets Unhedged ⁷	6.85	3.94	0.72	-18.82	-12.49	-12.49	-3.26	-2.57
Listed Infrastructure Unhedged ⁸	12.65	8.12	4.58	13.67	1.60	1.60	1.23	-2.26
Australian Listed Property ⁹	9.50	4.96	-1.95	-11.22	-23.03	-23.03	-17.49	-10.39
Int. Listed Property Unhedged ¹⁰	9.01	4.50	0.28	-2.72	-15.76	-15.76	-9.62	-4.48

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

So far in 2022, markets have been reacting negatively to both inflation and interest rates. This was occurring whilst economic growth was (and still moderately is) strong. These interest rate increases are now seeping into economic fundamentals as fears of a recession begin to surface. Hedged international shares returned -8.15% and unhedged returned -4.67%. This was the first month of a changing market narrative towards lower economic growth going forward whilst rates are being raised at this pace to impede the rise in inflation.

Australian Equities

Australian shares confirmed that the weakness in the market this month stemmed from economic weakness as the market dropped 9.36% during the month. Australia is more prone to economic slowdowns as the materials sector was the worst performer on the month. This change in underlying market dynamics is important to understand. The economic picture is weakening as Central Banks continue to raise rates to fight inflation.

Domestic and International Fixed Income

Fixed income in general fell on the month but was not the fundamental reason for equity market weakness. Australian bonds fell 1.48% whilst international bonds fell 1.64%. A reacceleration in inflation would cause further fixed income weakness. A subtle stabilisation in rates has occurred off the back of

the weakening economic picture as bonds are beginning to show signs of capital protection in the event of weakening economic fundamentals.

Australian Dollar

The Australian Dollar fell a substantial 4.33% during the month of June. This further points to a general slowdown in economic activity getting priced into the currency. The Australian Dollar is viewed as a 'risk-on' currency, meaning it will perform well when global and domestic economic activity is strong. Strength in the United States Dollar as a safe haven from market volatility also put downward pressure on the Australian Dollar during the month.

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