MONTHLY MARKET UPDATE

June 2023

How the different asset classes have fared:

(As at 30 June 2023)

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]	1.69	1.17	1.01	2.89	1.70	1.70	0.90	0.30
Australian Bonds[2]	2.43	0.51	-3.51	1.24	1.51	1.51	-2.95	-1.95
International Bonds[3]	2.54	0.18	-3.64	-1.16	2.07	2.07	-0.30	-0.16
Australian Shares[4]	8.80	7.35	11.42	14.75	4.65	4.65	1.01	1.94
Int. Shares Unhedged[5]	13.28	11.57	13.56	22.75	17.59	17.59	7.70	3.16
Int. Shares Hedged[6]	10.64	8.42	11.54	16.68	14.71	14.71	7.08	5.56
Emerging Markets Unhedged[7]	5.82	2.44	2.83	4.36	6.59	6.59	1.25	0.85
Listed Infrastructure Unhedged[8]	10.12	7.02	7.92	1.97	2.57	2.57	0.03	-0.30
Australian Listed Property[9]	7.95	3.88	8.52	7.49	3.49	3.49	3.15	-0.09
Int. Listed Property Unhedged[10]	6.79	2.82	6.45	-0.07	3.93	3.93	1.24	0.23
Gold Bullion Unhedged[11]	4.69	8.77	2.44	4.96	5.03	5.03	-3.80	-2.83
Oil Unhedged[12]	-9.58	-4.88	29.46	-25.27	-9.83	-9.83	-4.83	4.29

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, 11 LMBA Gold Price AM USD, 12 Bloomberg Sub WTI Crude Oil TR USD

Source: Centrepoint Research Team, Morningstar Direct

International Equities

In the month of June, international shares gained 3.16% in unhedged and 5.56% in hedged returns. This was a continuation of an already positive year for equities generally. This is despite the constant broadcasting of probably the most anticipated recession in history, although this may be more a sign of the digital age that we live in.

The positive returns were generated from a broader increase across the sectors, which has not generally been the case in 2023. As mentioned last month, the mega-cap technology companies have been the primary driver of excess returns so far this year.

A diversified basket of consumer discretionary, industrials and materials lead the global markets higher as markets shrugged off the infinitely distant seeming recession. The more defensive sectors of communications, utilities and healthcare lagged the market.

Australian Equities

Australian shares rose on the month but by a slightly smaller 1.94%. The Australian market has continued to lag its international peers during through 2023.

Whilst both materials and financials were positive on the month, Australian healthcare fell a staggering 7.7%, pulling the market down considerably. It was also important to note that consumer discretionary did not perform like international peers, a potential sign of a weakening consumer backdrop in the light of drastically increasing mortgage repayments.

Domestic and International Fixed Income

In June, Australian bonds again fell for a second straight month with a -1.95% decline. The market started to price in a ‘higher for longer’ narrative that was not only isolated to Australian markets. The fight against inflation remains top priority for the RBA, even as there has been signs of cooling in recent months. ‘Peak rates’ do appear to be approaching, however.

International bonds fell a muted -0.16% during the month as the markets ultimately suggested that inflation is too high, growth is still too strong, therefore there is a need for more rate hikes. Strong U.S. services data combined with a strong private payrolls number was partially to blame for this move higher in longer-term interest rates globally.

Australian Dollar

In June, the Australian Dollar (AUD) gained relative to other global currencies. Versus the United States Dollar (USD), the AUD was up 1.5% on the month. The increases in interest rates meant more capital moved into AUD to take advantage of the higher rates, moving the currency higher.

Commodities – Gold and Oil

Gold prices continued to move lower with a -2.83% fall on the month. The general move higher in interest rates forced gold prices to come down as investors moved money into interest bearing assets and out of the safe haven of gold.

Contrary to last month, oil rallied 4.29% in June. This was somewhat of a relief rally for energy as oil has been sluggish through 2023. Global growth expectations continue to get revised downwards and therefore a lesser expectation for oil demand. Announced supply cuts from OPEC+ have somewhat stabilised the markets, however, relative to the post-Covid highs, it has been a long and sharp fall.

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