

MONTHLY MARKET UPDATE

July 2023

How the different asset classes have fared:

(As of 31 July 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	1.71	1.20	1.13	3.15	2.08	1.81	0.97	0.37
Australian Bonds ²	2.39	0.58	-3.46	-1.54	2.04	-0.70	-2.63	0.52
International Bonds ³	2.47	0.17	-3.98	-3.60	2.03	-0.07	-0.75	-0.04
Australian Shares ⁴	8.55	7.72	12.17	11.14	7.78	1.27	2.23	2.99
Int. Shares Unhedged ⁵	12.70	11.45	14.10	17.69	20.03	16.58	6.57	2.08
Int. Shares Hedged ⁶	10.41	8.32	11.35	11.10	17.99	11.07	8.33	2.86
Emerging Markets Unhedged ⁷	6.00	3.16	2.96	11.20	11.77	7.45	6.05	4.85
Listed Infrastructure Unhedged ⁸	9.57	6.84	8.42	-0.87	2.91	3.14	-3.42	0.33
Australian Listed Property ⁹	8.44	4.48	9.68	-0.10	7.51	-0.52	1.91	3.89
Int. Listed Property Unhedged ¹⁰	6.71	3.20	7.47	-4.46	6.08	0.85	0.47	2.07
Gold Bullion Unhedged ¹¹	3.92	9.91	-0.32	11.18	7.90	2.64	-1.37	2.73
Oil Unhedged ¹²	-9.00	-1.00	35.00	-9.46	4.69	6.35	8.12	16.09

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

International markets continued their tremendous 2023 with another 2.08% and 2.86% return in unhedged and hedged equities. The Nasdaq set a half-yearly record of ~39% increase to start this year, powered by an AI-mania and falling inflation. With inflation continuing to cool and economic activity remaining robust, equity markets have remained strong to say the least.

Through July, there was a broad-based rally with all sectors returning positive numbers via the MSCI World Index. Markets were led higher by a significant jump in the oil price, propelling energy companies higher. This was followed by communications services, financials, and materials, as 'value' stocks outperformed 'growth'. Healthcare and utilities lagged the index as the more defensive areas of the market were unloved for the month.

Both India and China saw significant gains across the month as Emerging Markets sought relief from a stubborn United States Dollar.

Australian Equities

Australian shares increased more than international peers with a 2.99% increase on the month. This was again led by energy as oil prices increased and financials remained strong. Australia's high weightings to both financials saw Australian markets outperform other major developed markets.

Surprisingly, technology also increased significantly with a 5% increase on the month. Australian technology has caught the tailwinds of the global tech rally as inflation concerns continue to ease.

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 July, the Australian Dollar (AUD) fell slightly (-0.6%) on the month. This occurred even with the US Dollar Index falling 1.6%. This suggests a weakness in the Australian dollar potentially stemming from the weakness of China's reopening combined with a clear indication of the near top of the interest rate hiking cycle.

Commodities – Gold and Oil

Gold prices rose by 2.73% the past month, this contrasts with falls in both May and June that likely stemmed from continuing monetary policy tightening in the US, Australia, and other countries globally. The RBA held the cash rate target stable in July and are waiting to see the potential effects of their rate increases on inflation before acting further. Investors may see the end to these rate hikes over the coming quarters, which should further propel gold prices priced in Australian Dollars.

Oil saw a significant rise of 16.09% this month, the highest monthly gains since January 2022. This is partly due to OPEC countries reducing their output and tightening global supply. This combined with a rise in global oil demand to an estimated 102.8 million barrels per day in July could explain the rapid rise in prices. With Saudi Arabia cutting its output by 1 million barrels per day until at least September we may see a further rise in prices.

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