

# Market Wrap

## “Risk on” markets continued

- **Global shares** rose 1% and 1.2% in hedged and unhedged terms, respectively. The rotation to stocks benefitting from a strong economic recovery regained favour in May. Continued decline of coronavirus cases in Europe and the US helped drive these cyclical names higher.
- **Australian shares** outperformed global shares slightly, rising 2.3% in May. The leading sectors were financials (up 4.4%), healthcare (up 3.5%) and consumer discretionary stocks (up 3.4%). Technology (down 9.9%), Utilities (down 7%) and Energy (down 1.8%) were amongst the worst performers. Weakness in buy-now, pay-later operator Afterpay (down 21.1%) drove the tech sector result.
- The **Australian dollar (AUD)** fell 1.4% against major currencies and rose 0.2% against the US dollar. Relative outperformance of the Eurozone following accelerating coronavirus vaccinations saw outperformance against the AUD.
- **Fixed income** returns improved as bond yields fell. Australian bonds benefitting from the RBA commitment to keeping rates lower until at least 2024. In addition, softer US jobs numbers saw bond yields fall, benefitting international fixed income.

## As the pandemic lingers

### Globally

- Coronavirus vaccine progress continued in a welcome fashion. EU vaccinations have contributed to a sizeable decline in coronavirus cases and supported economic reopening.
- The coronavirus pandemic itself remains problematic for several countries including India and Brazil with the former seeing cases remain elevated after declining from sizeable highs.

### Locally

- The RBA left interest rates unchanged in its June meeting at 0.1% and continues to flag staying at this level until 2024.
- The unemployment rate fell to 5.5% in April, continuing to decline from its high of 7.5% in July 2020. This month's decline was driven by a fall in the participation rate with actual jobs numbers declining, driven by a fall in part-time employment. Importantly the end of JobKeeper has not yet had a material impact on the labour market although future releases will confirm this.
- Australia's vaccination program continues albeit at a slower pace with 5.3m doses administered as of early June.
- Melbourne suffered another bout of lockdowns in response to a failure of hotel quarantine in Adelaide (the infected person subsequently travelled to Melbourne). These will be easing from 10 June.
- Potential small outbreaks occurred in both Sydney and Perth triggering new restrictions but do not appear to be escalating at this juncture.

## Major asset class performance

| Asset classes                      | 1 month % | 1 year % | 5 years (p.a.) % |
|------------------------------------|-----------|----------|------------------|
| Australian shares                  | 2.3       | 28.2     | 10.1             |
| Global shares (hedged)             | 1.0       | 35.6     | 13.6             |
| Global shares (unhedged)           | 1.2       | 20.4     | 12.8             |
| Global small companies (unhedged)  | 0.5       | 34.3     | 12.4             |
| Global emerging markets (unhedged) | 2.1       | 29.5     | 12.4             |
| Global listed property (hedged)    | 1.4       | 30.7     | 4.9              |
| Cash                               | 0.0       | 0.1      | 1.3              |
| Australian fixed income            | 0.3       | -1.2     | 3.3              |
| International fixed income         | 0.2       | -0.2     | 3.2              |

Source: Bloomberg & IOOF, 31 May 2021

**Indices used:** Australian Shares: S&P/ASX 200 Accumulation Index, Global shares (hedged): MSCI World ex Australia Net Total Return (in AUD), Global shares (unhedged): MSCI World ex Australia Hedged AUD Net Total Return Index; Global small companies (unhedged): MSCI World Small Cap Net Total Return USD Index (in AUD); Global emerging markets (unhedged): MSCI Emerging Markets EM Net Total Return AUD Index; Global listed property (hedged): FTSE EPRA/NAREIT Developed Index Hedged in AUD Net Total Return; Cash: Bloomberg AusBond Bank Bill Index; Australian fixed income: Bloomberg AusBond Composite 0+ Yr Index; International fixed income: Bloomberg Barclays Global Aggregate Total Return Index Value Hedged AUD  
**Please note:** Past performance is not indicative of future performance

## Currency markets

| Exchange rates       | At close on 31/5 % | 1 month change % | 1 year change % |
|----------------------|--------------------|------------------|-----------------|
| USD/AUD              | 0.77               | 0.2              | 16.0            |
| Euro/AUD             | 0.63               | -1.4             | 5.3             |
| Yen/AUD              | 84.8               | 0.5              | 17.8            |
| Trade weighted index | 64.5               | -1.4             | 8.0             |

Source: Bloomberg & IOOF, 31 May 2021.

All foreign exchange rates are rounded to two decimal places where appropriate.

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