Market wrap

January 2021

Vaccine hopes remained high

- **Global shares** rose 3.4% and fell 0.5% in hedged and unhedged terms, respectively. Global equities were weighed down by a rotation into stocks that stand to benefit from coronavirus vaccine rollouts such as oil producers. By contrast names that had gained from the "working-from-home" dynamic such as video conferencing tool Zoom saw its share price fall over 29%.
- **Emerging markets** rose 2.5% during December in Australian Dollar (AUD) terms outperforming developed markets.
- **Australian shares** outperformed global shares rising 1.2% in December. The market was led by strength from the technology (up 9.4%) and mining (up 8.8%) sectors. Continued strength in iron ore prices following strong Chinese demand and production issues in Brazil (reducing supply) drove names such as Rio Tinto and BHP to 2020 highs.
- The **Australian dollar (AUD)** continued to appreciate rising 3.1% against major currencies and 4.8% against the US dollar. Strength in commodity prices, particularly iron ore, was a key driver.
- **Fixed income** returns were negative domestically but positive internationally. Long-term government bond yields rose in December as economies are anticipated to recover with coronavirus vaccine rollouts. The Australian market is dominated by government bonds more so than the global bond market. This helped explain the relatively weak returns in the month.

As the vaccinations commence

Globally

- The second wave of coronavirus cases in Europe and the US escalated further after abating during November led by a new, more infectious strain in the UK.
- The US Electoral College formally accepted Joe Biden's victory, paving the way to inauguration on 20 January as the new US President.
- New US stimulus payments began to be distributed to individuals.
- The UK exit from the EU was successfully negotiated removing another geopolitical risk from markets.

Locally

- November jobs growth surprised on the upside with the unemployment rate falling to 6.8%, down from 7% in October.
- Job vacancies are now exceeding pre-coronavirus levels suggesting unemployment levels will fall further.
- NAB Business and Westpac-Melbourne Institute consumer confidence surveys remain positive suggesting consumer and investment spending will continue to recover.

Major asset class performance

Asset classes	1 month %	1 year %	5 years (p.a.) %
Australian shares	1.2%	1.4%	8.7%
Global shares (hedged)	3.4%	10.6%	11.4%
Global shares (unhedged)	-0.5%	5.7%	10.9%
Global small companies (unhedged)	2.7%	5.9%	10.6%
Global emerging markets (unhedged)	2.5%	7.8%	11.5%
Global listed property (hedged)	2.5%	-13.7%	2.9%
Cash	0.0%	0.4%	1.5%
Australian fixed income	-0.3%	4.5%	4.6%
International fixed income	0.3%	5.1%	4.6%

Source: Bloomberg & IOOF, 31 December 2020

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 31/12	1 month change %	1 year change %
USD/AUD	0.77	4.8%	9.6%
Euro/AUD	0.63	2.3%	0.6%
Yen/AUD	79.5	3.7%	4.2%
Trade weighted index	63.4	3.1%	5.1%

Source: Bloomberg & IOOF, 31 December 2020. All foreign exchange rates are rounded to two decimal places where appropriate.

Please note: Past performance is not indicative of future performance.