Market Wrap

November 2020

Pandemic concerns reappear…

- **Global shares** fell -3.2% and -1.1% in hedged and unhedged terms, respectively. Global equities were led on the downside by both US and European equities with the German market down over -9.4%.
- **Emerging markets** rose 4.2% during September in Australian Dollar (AUD) terms with the Chinese market performing strongly whilst other developing economies such as India continue to see slowing coronavirus case growth.
- **Australian shares** outperformed global shares rising 1.9% in October. The market was led by strength from the banking (Financials up 6.3%) and tech sectors (up 8.96%).
- The **Australian dollar (AUD)** acted as a buffer falling -2% against major currencies and -1.9% against the US dollar.
- **Fixed income** returns were positive domestically but flat internationally. Speculation over another RBA rate cut, and additional quantitative easing was an important support. Rising US bond yields following a strong GDP result drove the flat outcome for global bonds even as corporate bonds had positive returns.

As cases escalated in Europe

Globally

- The continued pace of cases in Europe accelerated further and triggered new lockdown restrictions across France, Germany and other major countries. This raised the risk of another quarter of negative growth in Europe.
- US case growth also accelerated prompting renewed calls for further government stimulus.
- President Trump appears to have been defeated in the 2020 US Presidential election by Democrat nominee Joe Biden.

Locally

- The Federal Budget for FY21 was well received with consumer confidence bouncing strongly on the back of tax cuts being brought forward.
- The RBA cut interest rates by 0.15% to a new low of 0.1% and announced further extension of its bond purchasing program intended to drive long-term borrowing costs lower and help reduce the attractiveness of our currency (by reducing the difference between our bond yields and other countries).
- It appears that the September quarter this year was the end of the Australian recession with positive growth likely to be recorded as the relaxation of lockdowns across the country saw consumer spending recover (on a volume basis) while government stimulus in JobKeeper and JobSeeker remained supportive though tapering began in October).

Major asset class performance

Asset classes	1 month %	1 year %	5 years (p.a.) %
Australian shares	1.9%	-8.1%	6.8%
Global shares (hedged)	-3.2%	1.1%	8.0%
Global shares (unhedged)	-1.1%	2.7%	8.5%
Global small companies (unhedged)	2.1%	-1.9%	7.1%
Global emerging markets (unhedged)	4.2%	6.2%	8.3%
Global listed property (hedged)	-3.4%	-25.5%	0.0%
Cash	0.0%	0.5%	1.6%
Australian fixed income	0.3%	4.0%	4.5%
International fixed income	0.0%	3.8%	4.4%

Source: Bloomberg & IOOF, 31 October 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 31/10	1 month change %	1 year change %
USD/AUD	0.70	-1.9%	1.9%
Euro/AUD	0.60	-1.2%	-2.4%
Yen/AUD	73.6	-2.6%	-1.2%
Trade weighted index	59.5	-2.0%	-0.8%

Source: Bloomberg & IOOF, 31 October 2020. All foreign exchange rates are rounded to two decimal places where appropriate.
Please note: Past performance is not indicative of future performance.

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