

Market wrap

March 2022



February: Inflation hits another 40 year high

- **Global shares** fell 2.8% and 5.5% in unhedged and hedged terms, respectively, which was a similar result to what we saw in January. Global emerging markets fell 5.8% over the month.
- **Australian shares** performed reasonably well during February, with the S&P/ASX 200 Accumulation Index gaining 2.1%. The leading sectors were Energy (up 5.81%) and Consumer Staples (up 5.57%). I.T. was again the worst performer (down 6.88%).
- **Fixed income** returns for the month were again very poor, returning -1.2% domestically and -1.3% globally.
- The **Australian dollar (AUD)** gained 2.8% against the US dollar, which basically offset last month's loss. The AUD also gained 2.6% against the Yen and 2.2% against the Trade-Weighted Index.

Inflation and Tapering

Globally

- U.S. Inflation is showing no signs of slowing, as the Federal Reserve gets ready to raise rates.
- U.S. headline inflation hits another 40 year high in February at 7.9% year-on-year, the highest figure since January 1982. Core inflation is at 6.4%.
- Euro area annual inflation was expected to be 5.8% in February this year, up from 5.1% in January, according to a flash estimate from Eurostat.

Locally

- Consumer sentiment fell 4.2% month-on-month in March to 96.6 from 100.8 in the W-MI survey to be at its lowest level since September 2020.
- The details suggest the fall was driven by concerns around the Queensland and Northern NSW floods given the survey period (28 February to 4 March) and thus should rebound in time. Inflation concerns and the war in Ukraine are also likely to have been factors.
- There appears to be a growing disconnect between the markets' expectations of interest rate rises and recent RBA guidance. Some markets are pricing in around eight 25-basis point interest rate rises by mid-2023, while the RBA Chairman has indicated there are more dangers from lifting interest rates too early, than holding them steady for longer.

Major asset class performance

Asset classes	1 month %	1 year %	5 years (p.a.) %
Australian shares	2.1	10.2	8.5
Australian small companies	0.0	5.0	9.4
Global shares (hedged)	-2.8	12.3	11.2
Global shares (unhedged)	-5.5	18.3	13.5
Global small companies (unhedged)	-2.4	6.6	10.9
Global emerging markets (unhedged)	-5.8	-4.7	8.2
Global listed property (hedged)	-2.5	14.8	4.6
Cash	0.0	0.0	1.1
Australian fixed income	-1.2	-1.1	2.7
International fixed income	-1.3	-2.3	2.4

Source: Bloomberg & IOOF, 28 February 2022

Indices used: Australian Shares: S&P/ASX 200 Accumulation Index, Australian small companies: S&P/ASX Small Ordinaries 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 28/2 %	1 month change %	1 year change %
USD/AUD	0.73	2.8	-5.7
Euro/AUD	0.65	2.9	1.4
Yen/AUD	83.5	2.6	1.7
Trade weighted index	60.6	2.2	-6.0

Source: Bloomberg & IOOF, 28 February 2022

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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