

Market Wrap

May: Both equities and bonds sell-off

- Global shares: it was another difficult month for the asset class with declines of 0.8% (unhedged) and 0.2% (hedged), although some markets (particular in Asia) were able to eke out gains.
- Australian shares were sharply lower for the month. Small caps were the laggard. With a relatively large allocation to the materials sector, declining commodity prices this month weighed heavily on small caps
- Fixed income yield curves moved higher this month, resulting in further losses across most sectors. Credit performed slightly better, with spreads remaining contained on healthy corporate fundamentals.
- The AUD appreciated against the USD on the weakness of the latter, but also on the expectation of further rate hikes by the RBA. The AUD weakened on a TWI basis following softening in some key commodity prices

Economic growth continues to expand, however at a decreasing rate

Globally

- Private sector expansion, as noted in the May PMI's, has started to replace the reduction in public sector stimulus.
- However, with inflation remaining at levels not seen in a generation, many central banks have commenced tightening monetary policy.
- This position contrasts with China, where authorities are seeking to stimulate growth to ward of a slowing economy. This has included rate cuts during the month.

Locally

- Private sector expansion continues albeit at a reduced level. Demand and output expanded at solid rates in May, contributing to the lowest unemployment levels in over 40 years. However, the annual pace of wages growth is very modest, by historical standards, considering the tightness in the labour market.
- The RBA raised cash rate target by 25 bps to 35 bps. This was the first rate rise since November 2010. With inflation expected to remain elevated markets are pricing in additional hikes.

Major asset class performance

Asset classes	1 month %	1 year %	5 years (p.a.) %
Australian shares	-2.6	4.8	8.8
Australian small companies	-7.0	-4.6	8.5
Global shares (hedged)	-0.2	-2.5	9.2
Global shares (unhedged)	-0.8	2.6	10.6
Global small companies (unhedged)	-1.6	-6.5	8.1
Global emerging markets (unhedged)	-0.5	-13.5	4.6
Global listed property (hedged)	-4.6	-1.2	3.7
Cash	0.0	0.0	1.0
Australian fixed income	-0.9	-8.5	1.0
International fixed income	-0.2	-7.4	1.1

Source: Bloomberg & IOOF, 31 May 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 31/5 %	1 month change %	1 year change %
USD/AUD	0.72	1.6	-7.2
Euro/AUD	0.67	-0.1	5.7
Yen/AUD	92.4	0.8	9.0
Trade weighted index	62.6	-0.8	-1.4

Source: Bloomberg & IOOF, 31 May 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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