

Market Wrap

Sentiment sours

- **Global shares** fell 1.6% and rose 3.7% in hedged and unhedged terms, respectively. Global markets fell (in local currency terms) driven by concerns over a new coronavirus variant, Omicron, emerging from southern Africa.
- **Australian shares** underperformed global shares, falling 0.5% in November. The leading sectors were Materials (up 6.2%) and Communication Services (up 5.2%). Energy (down 8.2%) and Financials (down 8%) were the worst performers. Energy stocks declined in line with the fall in oil and gas prices on Omicron fears.
- **Fixed income** returns bounced back particularly for the Australian market. Investors sought safe haven assets which underpinned demand for bonds, particularly government bonds (which comprise most of the Australian market).
- The **Australian dollar (AUD)** fell 4.6% against major currencies and 5.2% against the US dollar. The more aggressive positioning by US Fed officials increased expectations of higher rates relative to Australia, driving AUD weakness.

Omicron and a hawkish Fed arise

Globally

- Global business surveys suggest economic growth improved in November. Supply chain disruptions remain an ongoing feature in business surveys impacting inflation.
- The Omicron variant emerged from Southern Africa. There have been initial concerns over the ability of this new variant to re-infect people who had recovered from earlier strains as well as vaccine effectiveness against Omicron.
- Comments by Federal Reserve (Fed) Board members suggested a faster reduction in bond purchases and perhaps also set the stage for rate hikes in response to elevated inflation levels in the US. We also saw Chairman Powell stating inflation is no longer seen as “transitory” (implying higher rates may be required).

Locally

- Sep-21 GDP figures showed economic growth contracting in the September quarter as expected given the restrictions imposed in NSW and Victoria in particular.
- However, going forward recent data and leading indicators suggest the economy is continuing to bounce back strongly. Easing restrictions has helped notably with retail sales rising 4.9% in October, returning to pre-pandemic levels in NSW.
- The RBA left its policy settings unchanged with the cash rate remaining at 0.1% in December. In addition, it maintained its bond purchases at \$4bn per week.

Major asset class performance

Asset classes	1 month %	1 year %	5 years (p.a.) %
Australian shares	-0.5	15.5	10.1
Australian small companies	-0.3	18.4	11.7
Global shares (hedged)	-1.6	23.3	13.8
Global shares (unhedged)	3.7	26.8	15.7
Global small companies (unhedged)	0.6	24.1	13.0
Global emerging markets (unhedged)	1.6	6.7	10.4
Global listed property (hedged)	-1.5	24.5	6.4
Cash	0.0	0.0	1.1
Australian fixed income	2.1	-3.2	3.3
International fixed income	0.7	-0.8	3.3

Source: Bloomberg & IOOF, 30 November 2021

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 30/11 %	1 month change %	1 year change %
USD/AUD	0.71	-5.2	-3.0
Euro/AUD	0.63	-3.4	2.1
Yen/AUD	80.7	-5.9	5.3
Trade weighted index	60.2	-4.6	-2.1

Source: Bloomberg & IOOF, 30 November 2021

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

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This report is prepared by Bridges Financial Services Pty Limited ABN 60 003 474 977 AFSL 240837 (Bridges). Bridges is an ASX Market Participant and part of the IOOF group of companies. This report is prepared by the IOOF Research team for: Bridges Financial Services Pty Limited ABN 60 003 474 977 AFSL 240837, Consultum Financial Advisers Pty Ltd ABN 65 006 373 995 AFSL 230323, Elders Financial Planning ABN 48 007 997 186 AFSL 224645, Financial Services Partners ABN 15 089 512 587 AFSL 237 590, Millennium3 Financial Services Pty Ltd ABN 61 094 529 987 AFSL 244252, RI Advice Group Pty Ltd ABN 23 001 774 125 AFSL 238429, Shadforth Financial Group Ltd ABN 27 127 508 472 AFSL 318613 ('Advice Licensees'). The Advice Licensees are part of the IOOF group comprising IOOF Holdings ABN 49 100 103 722 and its related bodies corporate (IOOF group). The Advice Licensees and/or their associated entities, directors and/or employees may have a material interest in, and may earn brokerage from, any securities or other financial products referred to in this document or may provide services to the company referred to in this report. The document is not available for distribution outside Australia and may not be passed on to any third person without the prior written consent of the Advice Licensees. The Advice Licensees and associated persons (including persons from whom information in this report is sourced) may do business or seek to do business with companies covered in its research reports. As a result, investors should be aware that the firms or other such persons may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as a single factor in making an investment decision. The document is current as at the date of issue but may be superseded by future publications. You can confirm the currency of this document by checking the intranet site (links below). The information contained in this report is for the sole use of advisers and clients of AFSL entities authorised by the Advice Licensees. This report may be used on the express condition that you have obtained a copy of the Advice Licensees Financial Services Guide (FSG) from their respective website. Disclaimer: The information in this report is general advice only and does not take into account the financial circumstances, needs and objectives of any particular investor. Before acting on the advice contained in this document, you should assess your own circumstances or seek advice from a financial adviser. Where applicable, you should obtain and consider a copy of the Product Disclosure Statement, prospectus or other disclosure material relevant to the financial product before making a decision to acquire a financial product. It is important to note that investments may go up and down and past performance is not an indicator of future performance. The contents of this report should not be disclosed, in whole or in part, to any other party without the prior consent of the IOOF Research Team and Advice Licensees. To the extent permitted by the law, the IOOF Research team and Advice Licensees and their associated entities are not liable for any loss or damage arising from, or in relation to, the contents of this report. For information regarding any potential conflicts of interest and analyst holdings, IOOF Research Team's coverage criteria, methodology and spread of ratings, and summary information about the qualifications and experience of the IOOF Research Team please visit https://www.ioof.com.au/adviser/investment_funds/ioof_advice_research_process