

MONTHLY MARKET UPDATE

October 2022

How the different asset classes have fared:

(As at 31 October 2022)

Asset Class	10 Yr % p.a.	5 Yr % p.a.	3 Yr % p.a.	1 Yr % p.a.	YTD %	6 Mth %	3 Mth %	1 Mth %
Cash ¹	1.68	0.97	0.43	0.76	0.75	0.75	0.54	0.24
Australian Bonds ²	2.41	0.72	-2.97	-7.24	-9.21	-2.08	-2.98	0.93
International Bonds ³	2.34	-0.34	-3.66	-12.91	-13.17	-5.91	-6.48	-0.38
Australian Shares ⁴	8.86	7.44	5.17	-3.52	-5.72	-6.46	0.18	5.68
Int. Shares Unhedged ⁵	14.61	10.47	8.95	-4.24	-9.19	2.44	1.69	7.82
Int. Shares Hedged ⁶	10.92	6.34	5.91	-15.96	-17.89	-6.60	-5.79	7.22
Emerging Markets Unhedged ⁷	5.33	-0.03	-2.60	-19.31	-19.62	-10.92	-6.66	-2.68
Listed Infrastructure Unhedged ⁸	12.15	7.28	2.94	8.59	1.47	-0.83	-3.24	4.05
Australian Listed Property ⁹	8.48	4.57	-2.02	-13.86	-21.26	-16.17	-8.48	9.87
Int. Listed Property Unhedged ¹⁰	8.63	4.38	-3.16	-8.73	-16.31	-10.57	-6.94	4.43

¹ Bloomberg AusBond Bank 0+Y TR AUD, ² Bloomberg AusBond Composite 0+Y TR AUD, ³ Bloomberg Barclays Global Aggregate TR Hdg AUD, ⁴ S&P/ASX All Ordinaries TR, ⁵ Vanguard International Shares Index, ⁶ Vanguard Intl Shares Index Hdg AUD TR, ⁷ Vanguard Emerging Markets Shares Index, ⁸ FTSE Developed Core Infrastructure 50/50 NR AUD, ⁹ S&P/ASX 300 AREIT TR, ¹⁰ FTSE EPRA/NAREIT Global REITs NR AUD

Source: Centrepoint Research Team, Morningstar Direct

International Equities

In stark contrast to the prior month, international equities moved upwards in October as markets hoped for some reprieve from central banks raising rates. Hedged equities returned 7.22% and unhedged equities returned 7.82% on the month. If central banks paused or reversed their tightening cycle, equities would perceive that as very positive news. Whilst this rally in stocks is likely premature, equity holders are clearly desperate for lower rates and a loosening of central bank policy.

Australian Equities

Australian shares rose on the month, but not as strongly as international equities. Australian equities rose 5.68% in October and continued their relatively strong performance on the year relative to other countries around the world. The heavy-weighted materials sector dragged down the Australian Index when compared to other countries like the United States on the month. Energy and Real Estate had a strong increase, whilst Healthcare and Materials were the worst performers.

Domestic and International Fixed Income

Australian bonds had a positive month with a 0.93% rise. International bonds conversely fell slightly with a -0.38% return. Australian interest rates eased on the month as signs of housing weakness started to show. The RBA rose rates again during the month but only by 0.25%, signalling they are trying to balance fighting inflation with avoiding a significant economic slowdown which would be caused by interest rates going too high. This is a difficult balancing act.

Australian Dollar

The Australian Dollar (AUD) only fell 0.54% in the month of October. This was relatively mild compared to the prior months where the United States Dollar (USD) has been on a relentless upward trajectory. Intra-month the AUD fell 3% and then reversed course. Some weakness crept into the USD as markets hoped for signals of a tapering down in interest rate increases. Economic data is largely driving markets currently. If inflation shows signs of moderating somewhat in the US, the AUD will have some potential to rally.

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