Monthly Market Update

January 2023

**How the different asset classes have fared:**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **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**  **%** |
| Cash1 | 1.67 | 1.03 | 0.61 | 1.52 | 0.27 | 1.31 | 0.77 | 0.27 |
| Australian Bonds2 | 2.63 | 1.14 | -2.74 | -6.26 | 2.76 | -0.85 | 2.20 | 2.76 |
| International Bonds3 | 2.57 | 0.34 | -3.08 | -8.94 | 2.10 | -3.53 | 3.15 | 2.10 |
| Australian Shares4 | 8.92 | 8.64 | 6.38 | 10.54 | 6.44 | 9.75 | 9.55 | 6.44 |
| Int. Shares Unhedged5 | 13.67 | 9.61 | 5.83 | -7.77 | 2.96 | 0.96 | -0.72 | 2.96 |
| Int. Shares Hedged6 | 10.56 | 6.23 | 6.28 | -8.18 | 6.23 | 0.03 | 6.18 | 6.23 |
| Emerging Markets Unhedged7 | 5.72 | 0.80 | -0.90 | -11.78 | 4.02 | 3.50 | 10.89 | 4.02 |
| Listed Infrastructure Unhedged8 | 11.58 | 8.20 | -0.01 | 1.12 | -0.22 | -3.89 | -0.68 | -0.22 |
| Australian Listed Property9 | 8.86 | 6.11 | -0.28 | -4.59 | 8.07 | 0.42 | 9.73 | 8.07 |
| Int. Listed Property Unhedged10 | 8.26 | 5.34 | -3.24 | -11.83 | 5.19 | -5.27 | 1.80 | 5.19 |

**(As at 31 January 2023)**

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**

International shares had another positive month in January with the unhedged index returning 2.96% and the hedged index gaining 6.23%. Once again, markets continued to price in a substantial slowing in economic activity. This sounds like bad news, however, the weaker the global economy looks, the less pressure there is on central banks to increase interest rates. This is positive for markets. The market rally was led by the sectors that have been most hurt over the course of 2022. These sectors were consumer discretionary, communications, real estate, and technology.

**Australian Equities**

Australian shares joined in on the equity market rally through January, ending up 6.44% on the month. Consumer discretionary was the leading sector in the Australian market, followed by materials and then the interest rate sensitive real estate sector. A cooling of interest rates has allowed equities some breathing room to move higher over the past few months.

**Domestic and International Fixed Income**

Fixed income had a very positive month as interest rate expectations shifted downwards significantly. Domestic fixed income rose 2.76% whilst international fixed income increased 2.10%. Half a percent in rate cuts was priced into the market as fears over a ‘hard landing’ surfaced during the month. A hard landing means a significant recession. If this was to occur, the standard practice of central banks would be to decrease interest rates. This is what the market began to price in and is what helped fixed income rise across the month.

**Australian Dollar**

The Australian Dollar (AUD) had another stellar month in January, rallying 3.9%. A very weak United States Dollar (USD) allowed all currencies to increase off the back of the expectations that interest rates will decrease in late 2023 in the US. A significant fall in the USD correlates with a loosening of financial conditions. This is not what central banks want to see as they try to continue to stamp out inflation. Significant volatility in currency markets is expected going forward.

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