

The recovery rally marches on

- **Global shares** rose 3.3% and 0.6% in hedged and unhedged terms, respectively.
- **Emerging markets** continued to rally (up 4.6%) driven by stronger economic data in China with business surveys such as the Caixin PMI pointing to stronger improvement while June quarter GDP showed a sharp bounce back into positive territory. State media also stoked a strong surge in retail shareholder buying.
- **Australian shares** underperformed global shares rising 0.5% in July. Gains in the Technology and Mining sectors were offset by weakness in banking and healthcare stocks. The negative outlook domestically with new lockdowns imposed in Victoria weighed on bank stocks.
- The **Australian dollar (AUD)** also continued to rally from its climb from late March lows with an 3.2% rise against major currencies.
- **Fixed income** returns were positive with Australian and international bond benchmarks rising 0.4% and 1% during July. Government bond yields fell further with credit spreads continuing to decline. Investors searching for yield and continued central bank buying have underpinned higher corporate bond prices, driving positive overall returns.

As the economy gained momentum

Globally

- The improvement in leading indicators continued albeit at a slower pace in the US and we saw positive signs in the strong bounce back of June quarter Chinese economic growth data.
- US policy against China remained a feature with the latest development being the potential sale of popular social media app TikTok to Microsoft in a bid to avoid a potentially fatal ban by President Trump (TikTok is accused of promoting Chinese security interests driven by its owner being Chinese firm ByteDance).
- In addition, we have seen coronavirus cases continue to grow globally but it appears in several major hotspots such as the US and Brazil, daily growth is peaking.
- Positive trial progress for several vaccines contributed to investor optimism.

Locally

- The RBA continued to leave rates on hold in line with its guidance and expectations.
- Victoria has entered harsher lockdowns in a bid to contain the surge in coronavirus cases. This will weigh on economic activity and contribute to higher unemployment.
- New government stimulus extends support for the economy albeit at a weaker pace. More may be required given the impact not only of Victorian lockdowns but reduced net migration this year.

Major asset class performance

Index; Australian fixed income: Bloomberg AusBond Composite 0+

Asset classes	1 month %	1 year %	5 years (p.a.) %
Australian shares	0.5%	-9.9%	5.1%
Global shares (hedged to AUD)	3.3%	3.5%	7.5%
Global shares (unhedged)	0.6%	3.4%	8.1%
Global small companies (unhedged)	0.2%	-5.7%	5.6%
Global emerging markets (unhedged)	4.6%	2.4%	6.7%
Global listed property (hedged to AUD)	1.2%	-17.4%	1.0
Cash	0.0%	0.7%	1.7%
Australian fixed income	0.4%	3.6%	4.6%
International fixed income	1.0%	5.5%	4.7%

Source: Bloomberg & IOOF, 31 July 2020

Indices used: Australian Shares: S&P/ASX 200 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

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Market Wrap

August 2020

Currency markets

Exchange rates	At close on 31/7	1 month change %	1 year change %
USD/AUD	0.71	3.5%	4.4%
Euro/AUD	0.61	-1.3%	-1.9%
Yen/AUD	75.6	1.5%	1.5%
Trade weighted index	61.9	3.2%	4.0%

Source: Bloomberg & IOOF, 31 July 2020. All foreign exchange rates are rounded to two decimal places where appropriate.

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