

## The recovery rally marches on

- **Global shares** rose 2.3% and fell -1.1% in hedged and unhedged terms, respectively.
- **Emerging markets** bounced back strongly (up 3.5%) driven by stronger economic data in China with business surveys such as the Caixin PMI seeing a return to growth continue for Chinese businesses.
- **Australian shares** outperformed global shares rising 2.6% in June. Gains in the Technology and Banking sectors were notable drivers with the former benefitting from continued strength in Afterpay and the latter benefitting from strong Australian economic data suggesting less damage to bank balance sheets.
- The **Australian dollar (AUD)** continued its climb from late March lows with an 3.5% rise against major currencies. Coronavirus outbreaks continued to disrupt Brazilian iron ore supply, supporting iron ore prices. In addition, we saw stronger economic data in Australia support the AUD.
- **Fixed income** returns were positive with Australian and international bond benchmarks rising 0.3% and 0.5% during June. Government bond yields were broadly unchanged while credit spreads continued to decline. Investors searching for yield and continued central bank buying have underpinned higher corporate bond prices, driving positive overall returns.

## But with troubles on the horizon...

### Globally

- The improvement in leading indicators however suggest the pace of the contraction is slowing and growth is beginning to improve particularly as countries exit lockdown measures.
- Policy support continues to underpin the recovery with ongoing bond purchases by central banks keeping borrowing costs low.
- However, the US implemented sanctions targeting Chinese officials after stronger national security laws were implemented in Hong Kong. This raises geopolitical risks.
- In addition, we have seen coronavirus cases continue to grow globally with new highs reached in US case growth.
- While mortality rates have fallen the concern is still the impact this will have on healthcare

systems and whether further lockdowns will be required.

### Locally

- The RBA continued to leave rates on hold in line with its guidance and expectations.
- From mid-June we have seen quarantine failures drive a sharp rise in Victorian cases that prompted the lockdown of the Melbourne metropolitan area in early July
- This will likely force the case for further government stimulus and may undermine the economic recovery in the short term.

## Major asset class performance

Asset classes	1 month %	1 year %	5 years (p.a.) %
Australian shares	2.6%	-7.7%	6.0%
Global shares (hedged to AUD)	2.3%	1.3%	7.3%
Global shares (unhedged)	-1.1%	5.2%	9.4%
Global small companies (unhedged)	-1.1%	-3.5%	6.6%
Global emerging markets (unhedged)	3.5%	-1.5%	5.1%
Global listed property (hedged to AUD)	2.2%	-17.6%	1.6%
Cash	0.0%	0.8%	1.7%
Australian fixed income	0.3%	4.2%	4.8%
International fixed income	0.5%	5.2%	4.8%

Source: Bloomberg & IOOF, 30 June 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

## Currency markets

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# Market Wrap

July 2020

Exchange rates	At close on 30/6	1 month change %	1 year change %
USD/AUD	0.69	3.5%	-1.7%
Euro/AUD	0.61	2.3%	-0.4%
Yen/AUD	74.5	3.6%	-1.6%
Trade weighted index	60.0	2.0%	-0.2%

**Source:** Bloomberg & IOOF, 30 June 2020. All foreign exchange rates are rounded to two decimal places where appropriate.

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