Market Review

How the different asset classes have fared:

(As at 30 June 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]	1.73	0.95	0.33	0.10	0.08	0.08	0.07	0.05
Australian Bonds[2]	2.58	0.87	-2.58	-10.51	-9.46	-9.46	-3.81	-1.48
International Bonds[3]	3.12	0.78	-1.63	-9.33	-9.41	-9.41	-4.66	-1.64
Australian Shares[4]	9.35	7.15	3.81	-7.44	-11.50	-11.50	-12.91	-9.36
Int. Shares Unhedged[5]	14.20	10.20	7.87	-6.46	-16.12	-16.12	-8.44	-4.67
Int. Shares Hedged[6]	11.37	7.42	6.43	-12.39	-19.32	-19.32	-15.11	-8.15
Emerging Markets Unhedged[7]	6.85	3.94	0.72	-18.82	-12.49	-12.49	-3.26	-2.57
Listed Infrastructure Unhedged[8]	12.65	8.12	4.58	13.67	1.60	1.60	1.23	-2.26
Australian Listed Property[9]	9.50	4.96	-1.95	-11.22	-23.03	-23.03	-17.49	-10.39
Int. Listed Property Unhedged[10]	9.01	4.50	0.28	-2.72	-15.76	-15.76	-9.62	-4.48

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

Throughout 2022 markets have continued to react negatively to both inflation and interest rates. This negative reaction occurred whilst economic growth was and still is moderately strong. However, interest rate increases are now seeping into economic fundamentals as fears of a recession begin to surface. Hedged international shares returned -8.15% and unhedged returned -4.67%. This was the first month of a changing market narrative towards lower economic growth going forward whilst rates are being raised at this pace to impede the rise in inflation.

Australian Equities

Concerns on economic weakness resulted in Australian shares dropping 9.36% during the month, with ten out of eleven sectors finishing lower. The accelerating sell-off in the Materials sector was driven by market participants weighing up the potential for recessionary risks given the tightening interest rate cycle and continued inflationary pressures. Likewise, similar sentiment around potentially subdued economic growth drove a sell-off in the Financials sector. Overall, the downtrend in equities persisted as investors mulled various negative economic headwinds and continued hawkishness from central banks.

Domestic and International Fixed Income

Australian Fixed Income markets have delivered another month of poor returns in June, as the Reserve Bank of Australia continues to tighten monetary policy, raising the cash rate by 50bps in both their June and July meetings to a total of 1.35% at present. Despite this, yields remained fairly stable at the short end of the curve with such increases having already been priced in.

Internationally the story remains similar, as central banks continue raising rates in an effort to contain inflation. This can be seen in the US Federal Reserve, which raised the federal funds rate by 75bps in its June meeting, the first hike of such a magnitude since 1994. However, fears of a recession have seen yields fall further out on the yield curve. Overall performance in global Fixed Income markets has been weak throughout June, as the rate increases at the short end of the curve have been more impactful. The Bloomberg Barclays Global Aggregate Index (AUD Hedged) Index returned -1.6% throughout the month.

Australian Dollar

The Australian Dollar fell a substantial 4.33% during the month of June. This points to a general slowdown in economic activity being priced into the currency. The Australian Dollar is viewed as a ‘risk-on’ currency, meaning it will usually perform well when global and domestic economic activity is strong. Strength in the United States Dollar as a safe haven from market volatility also put downward pressure on the Australian Dollar during the month.