Market Review

How the different asset classes have fared:

(As at 31 September 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	0.95	0.38	0.52	0.51	0.49	0.42	0.15
Australian Bonds[2]	2.31	0.75	-3.42	-11.36	-10.05	-4.43	-0.64	-1.36
International Bonds[3]	2.43	-0.17	-3.63	-12.81	-12.84	-8.27	-3.78	-3.50
Australian Shares[4]	8.58	7.11	3.12	-8.57	-10.79	-12.21	0.80	-6.41
Int. Shares Unhedged[5]	13.69	9.73	6.39	-9.72	-15.77	-8.07	0.41	-3.23
Int. Shares Hedged[6]	10.12	5.42	4.11	-17.37	-23.42	-19.42	-5.08	-8.89
Emerging Markets Unhedged[7]	5.58	1.67	-1.07	-19.51	-17.41	-8.71	-5.63	-5.81
Listed Infrastructure Unhedged[8]	11.93	7.23	1.09	4.36	-2.49	-2.83	-4.02	-6.60
Australian Listed Property[9]	8.02	3.08	-4.61	-21.13	-28.34	-23.18	-6.89	-13.56
Int. Listed Property Unhedged[10]	8.28	3.72	-4.45	-10.65	-19.86	-14.02	-4.87	-6.64

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

Global markets sharply returned to the downward trend that started in early 2022. Fresh concerns regarding global economic growth and stability hit the markets as central banks have not shied away from sticking to their policy of quashing inflation through increasing rates. Unhedged international shares fell 3.23% whilst hedged fell 8.89%. Significant volatility has been present in all asset classes, not excluding currency, which saw the US Dollar (USD) rise significantly on the month. This caused the wide divergence between hedged and unhedged returns. Cracks are starting to emerge in the global economy as the Great British Pound (GBP) had flash crash moment against the USD, highlighting the fragility of the global economic picture.

Australian Equities

Australian shares were not sheltered from this volatility as they fell 6.41% on the month. After being sheltered from significant market losses to begin the year, concerns over the weakening domestic picture and reliance on elevated house prices, sparked concerns as the Reserve bank continues its policy of increasing interest rates to stem inflationary pressures. Real Estate and Utilities lead the market lower with drops over 10% each on the month. Energy and materials were the better performers yet were still negative.

Domestic and International Fixed Income

Interest rates continued their march higher as domestic and international fixed income fell 1.36% and 3.5%, respectively. With inflation rates hitting near double digits across most developed economies, central banks have not yet found an opportunity to talk down future rate increases. This has been led by the US who have raised their target policy rate to 3.25%, a 15-year high. Australia has it's highest policy rate since 2013, but keep in mind has not increased interest rates since 2009 before this recent change in policy.

Australian Dollar

The Australian Dollar (AUD) ended the month down a staggering 5.2% to the USD. This move had little to do with the economic strength of Australia versus the US but was primarily an incredible strengthening of the USD compared to all currencies. The USD as measured by the Dollar Index (DXY) is the strongest it has been since the early 2000s. The reason for this a combination of factors hurting the currencies it is compared to. The Euro, the Pound and Yen are the three main currencies measured against the USD and have all shown domestic weakness instigated by the European energy crisis, interest rate differentials compared to the US and poor policy decisions made by governments. This has amounted to a historic rise in the USD.