



“Risk on” rally faltered...

- **Global shares** fell 2.9% and 0.3% in hedged and unhedged terms, respectively. Global equities were led on the downside by the US market with Tech stocks struggling as the tech-heavy Nasdaq Index fell by -5.2% in USD terms.
- **Emerging markets** rose 1.5% during September in Australian Dollar (AUD) terms.
- **Australian shares** underperformed global shares falling -3.7% in September. The month was defined more by global events as well as local concerns for our Banking sector. Banks remain a large part of our market and heightened speculation of another RBA rate cut hurt the sector. This is because a large amount of bank revenue relies on the spread between the rates they charge and their cost of funding. Lowering rates constrains the ability to generate interest income and saw the Financials sector slump -6.9%.
- The **Australian dollar (AUD)** also faltered with a -3% fall against major currencies and a -2.9% fall against the US dollar.
- **Fixed income** returns were positive with Australian and international bond benchmarks rising 1.1% and 0.4% during September. Speculation of another RBA interest rate cut and concern over a surge in coronavirus cases in Europe drove bond yields lower (and returns higher).

As the pandemic gained momentum

Globally

- In our August update we highlighted the surge in cases within Europe. This continued into September and has triggered new but limited restrictions on people’s freedom of movement and certain businesses in the UK amongst other countries.
- President Trump was himself infected with the coronavirus but has since, it appears, recovered.

Locally

- The RBA left interest rates on hold as market speculation of another rate cut following the FY21 Budget intensified.
- Coronavirus case growth in Victoria has continued to slow with lockdown restrictions being eased while in NSW we are seeing a return to larger scale public events from late October.
- Economic data was mixed with the unemployment rate falling to 6.8% (down from 7.5%) in a positive sign for most States excluding Victoria. However, August retail sales fell 4% with weakness pronounced across the board suggesting the 3.2% surge in July may have been more reliant on early release of superannuation funds which has since slowed.

Major asset class performance

Asset classes	1 month %	1 year %	5 years (p.a.) %
Australian shares	-3.7	-10.2	7.3
Global shares (hedged)	-2.9	6.4	10.4
Global shares (unhedged)	-0.3	4.3	10.1
Global small companies (unhedged)	0.8	-3.3	7.5
Global emerging markets (unhedged)	1.5	4.0	8.5
Global listed property (hedged)	-2.6	-21.5	1.8
Cash	0.00	0.6	1.6
Australian fixed income	1.1	3.2	4.5
International fixed income	0.4	3.5	4.5

Source: Bloomberg & IOOF, 30 September 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

Exchange rates	At close on 30/9	1 month change %	1 year change %
USD/AUD	0.72	-2.9	6.1
Euro/AUD	0.61	-1.1	-1.3
Yen/AUD	75.5	-3.3	3.6
Trade weighted index	60.7	-3.0	2.5

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

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