

Market Wrap

December: All Except Cash Negative

- Markets sold off in December to cap a year to forget for investors, with both stocks and bonds declining in the final month of 2022. December's **Global Share** performance was generally poor. Global shares lost 5.5% on an unhedged basis and 5.2% on a hedged basis. In the U.S., Utilities was the best performing sector for December, with Consumer Discretionary being the worst performer, followed by the Technology sector.
- Australian shares** lost ground in December, with the broad market index, the S&P/ASX 200 Accumulation Index losing 3.2%, with all sectors producing negative returns. The best performing sectors were Materials (down 0.91%), followed by Consumer Staples (down 1.87%). Consumer Discretionary was the worst sector, down 7.04%.
- Fixed income** returns for the month were disappointing, with Australian Fixed Interest losing 2.1%, and global fixed interest losing 1.3%.
- The **Australian dollar** rose against the US dollar over the month, mainly due to the US dollar continuing to weaken. Against the Yen, the AUD lost ground and fell by 4.6%. On a Trade-Weighted Index basis, the AUD was down by 1.1%.

Weak Global Growth, Declining US Inflation?

Globally

- In their latest annual report, the World Bank, which lends money to poorer countries for development projects, said it had slashed its forecast for global growth this year by nearly half, to just 1.7%, from its previous projection of 3%. If that forecast proves accurate, it would be the third-weakest annual expansion in three decades, behind only the deep recessions that resulted from the 2008 global financial crisis and the coronavirus pandemic in 2020.
- The annual inflation rate in the U.S. slowed for a fifth straight month to 7.1% in November 2022, the lowest since December 2021, and below the consensus forecast of 7.3%. U.S. inflation now appears to be in a downward trend.

Locally

- During December, the RBA decided to raise the Target Cash Rate by 0.25% to 3.10%, the eighth consecutive hike. The RBA has now increased rates by a total of 3% since May 2022.
- The seasonally adjusted unemployment rate in Australia stood at 3.5% in December 2022, unchanged from an upwardly revised figure in November, and above consensus market estimates of 3.4%. While marginally higher than estimates, 3.5% unemployment is still extremely low and remains contradictory to many other economic indicators that are pointing to a pending recession.

Major asset class performance

Asset classes	1 month %	1 year %	5 years (p.a.) %
Australian Shares	-3.2%	-1.1%	7.1%
Australian small companies	-3.7%	-18.4%	2.9%
Global shares (hedged)	-5.2%	-18.1%	5.6%
Global shares (unhedged)	-5.5%	-12.5%	9.3%
Global small companies (unhedged)	-5.0%	-13.3%	6.3%
Global emerging markets (unhedged)	-2.6%	-14.3%	1.5%
Global listed property (hedged)	-3.8%	-24.2%	-0.4%
Cash	0.2%	1.3%	1.0%
Australian fixed income	-2.1%	-9.7%	0.5%
International fixed income	-1.3%	-12.3%	-0.2%

Source: Bloomberg & Insignia Financial, 31 December 2022

Indices used: Australian Shares: S&P/ASX 200 Accumulation Index, Australian small companies: S&P/ASX Small Ordinaries 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 31/12 %	1 month change %	1 year change %
USD/AUD	0.68	0.4%	-6.2%
Euro/AUD	0.64	-2.4%	-0.4%
Yen/AUD	89.4	-4.6%	6.8%
Trade weighted index	61.4	-1.1%	0.5%

Source: Bloomberg & Insignia Financial, 31 December 2022

All foreign exchange rates are rounded to two decimal places where appropriate.

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