

# Market Wrap

## July: More Risk, More Returns

- During July, **Global Share** performance was favourable. Global shares gained 2.1% on an unhedged basis, and gained an even better 3.1% on a hedged basis, due to an appreciating AUD relative to the USD.
- For July, the U.S. S&P 500 total return index was up 3.11%. Energy stocks advanced on expectations of tighter supply and positive growth data. Certain media and technology giants made strong gains, as did a number of banking stocks.
- **Australian shares** rose over the month, with the broad market index, the S&P/ASX 200 Accumulation Index gaining 2.9%. The best performing sectors were Energy and Financials, which were up 8.8% and 4.9% respectively. Healthcare was the worst performing sector for the month, losing 1.5%.
- **Fixed income** returns for the month were mixed, with Australian Fixed Interest gaining a reasonable 0.5%, while global fixed interest lost a very small 0.04%.
- The Australian dollar rose by 1.2% against the U.S. dollar over the month. The U.S. dollar was weaker against its G10 peers. Despite the positive news on U.S. growth, an associated boost to risk sentiment generally benefited higher yielding and commodity-related currencies, such as Australia.

## Australian Services Inflation Up

### Globally

- The annual inflation rate in the U.S. increased to 3.2% in July 2023 from 3% in June, but below the consensus forecast of 3.3%. It marks a halt in the 12 consecutive months of declines, due to base effects.
- Opposite to the relatively high inflation in the western world, China's consumer prices dropped by 0.3% year-on-year in July, the first decrease since February 2021, compared to a flat reading in June and market estimates of a 0.4% fall.

### Locally

- Australia's inflation rate dropped to 6.0% year-on-year in the second quarter of 2023, down from 7.0% in the previous period and below market forecasts of 6.2%. This marked the lowest figure since the third quarter of 2022, primarily driven by a slowdown in goods inflation (5.8% vs. 7.6% in Q1).
- In contrast, services inflation accelerated to 6.3%, the highest rate since the introduction of the GST in 2001.
- Meanwhile, the RBA's Trimmed Mean CPI rose by 5.9% year-on-year, marking the slowest growth rate in a year, but still remaining well above the central bank's target range of 2-3%.

## Major asset class performance

Asset classes	1 month %	1 year %	5 years (p.a.) %
Australian Shares	2.9%	11.7%	7.5%
Australian small companies	3.5%	0.8%	3.2%
Global shares (hedged)	3.1%	10.4%	7.4%
Global shares (unhedged)	2.1%	17.6%	11.4%
Global small companies (unhedged)	3.6%	12.4%	7.3%
Global emerging markets (unhedged)	4.9%	12.2%	3.7%
Global listed property (hedged)	3.2%	-9.9%	-0.1%
Cash	0.4%	3.1%	1.2%
Australian fixed income	0.5%	-1.5%	0.6%
International fixed income	0.0%	-3.6%	0.2%

Source: FactSet, Lonsec & Insignia Financial, 31 July 2023

**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 31/07 %	1 month change %	1 year change %
USD/AUD	0.6739	1.2%	-3.4%
Euro/AUD	0.6112	0.2%	-10.7%
Yen/AUD	95.74	-0.5%	2.7%

Source: FactSet & Insignia Financial, 31 July 2023

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

**Please note:** Past performance is not indicative of future performance