

Market Wrap

Vaccinations continue climbing

- **Global shares** rose 2.7% and 1.6% in hedged and unhedged terms, respectively. The rotation to stocks benefitting from a strong economic recovery persisted into February. A rally in oil and other commodity prices boosted returns for energy and mining stocks.
- **Australian shares** underperformed global shares rising 1.5% in February. The market was led by strength from the mining (up 7.2%), financial (up 4.5%) and energy (up 2%) sectors. Energy stocks rose in line with continued strength in oil prices as investors anticipated economic recovery (and higher oil demand) after vaccination rollout. Renewed interest in renewable technology and electric vehicles drove a bid for copper and nickel miners such as IGO Ltd (+9.5%).
- The **Australian dollar (AUD)** rose 2.4% against major currencies and 0.8% against the US dollar.
- **Fixed income** returns were negative as bond yields rose. Riskier corporate bonds outperformed as investor conviction in economic recovery intensified while government bonds were sold off with the Australian government bond index down 4% in February.

As economic momentum builds

Globally

- Coronavirus case growth globally has slowed although we have seen upticks in Europe and emerging market countries. Europe has been plagued by a slower vaccine rollout than other developed countries such as the US and UK.
- The Global Manufacturing PMI survey (a proxy for manufacturing sector strength) rose to a three-year high in February.

Locally

- The RBA left interest rates on hold at 0.1% and announced a further \$100bn in bond purchases at its February meeting. In its March meeting the RBA restated its expectation of leaving interest rates unchanged until at least 2024. Amidst the substantial fall in bonds it brought forward bond purchases to limit the scale of the sell-off in longer-duration bonds (the 10-year bond recorded its largest monthly rise in over 25 years) and signalled its willingness to intervene further if required.
- The unemployment rate fell to 6.4% in January, pleasingly continuing to decline from its high of 7.5% in July thanks to continued strong jobs growth and government stimulus spending.
- Chinese bans on Australian coal and tariffs on wine imports persisted with Australian exporter Treasury Wine Estates (Penfolds producer) axing up to 60 roles in its China business in response.

Major asset class performance

Asset classes	1 month %	1 year %	5 years (p.a.) %
Australian shares	1.5%	6.5%	10.7%
Global shares (hedged)	2.7%	23.5%	13.4%
Global shares (unhedged)	1.6%	7.8%	12.3%
Global small companies (unhedged)	3.9%	18.3%	13.2%
Global emerging markets (unhedged)	-0.1%	13.3%	13.4%
Global listed property (hedged)	3.8%	-4.4%	4.4%
Cash	0.0%	0.2%	1.4%
Australian fixed income	-3.6%	-2.8%	3.2%
International fixed income	-1.6%	-0.2%	3.5%

Source: Bloomberg & IOOF, 28 February 2021

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 28/2	1 month change %	1 year change %
USD/AUD	0.77	0.8%	18.3%
Euro/AUD	0.64	1.3%	8.1%
Yen/AUD	82.1	2.6%	16.7%
Trade weighted index	64.5	2.4%	13.2%

Source: Bloomberg & IOOF, 28 February 2021. All foreign exchange rates are rounded to two decimal places where appropriate.

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