

MARKET WATCH

May 2021

Share markets consolidate

- After a strong start to the year markets were more constrained in May as gains consolidated. The US Federal Reserve's resoluteness that inflation fears are "transitory" helped to calm markets with bond yields easing from the early 2021 sell-off. The US reporting season was also very strong, supporting returns.
- International shares returned 1.2% for the month and hedged international shares returned 1.0%. Australian shares returned a strong 2.3% with financial stocks particularly solid.
- Improved growth prospects across major developed economies continued to favour value stocks that are leveraged to re-opening relative to growth stocks, typically in the technology sector, that led 2020 returns.
- While COVID case numbers and death rates were still alarming, the global trend was downwards, predominantly across the developed economies as vaccinations rolled out. That said, many countries, including Taiwan and South Africa, saw cases spike and most of the globe remains unvaccinated.
- In Australia Victoria went into lockdown once again after another worrying outbreak, highlighting the need for a ramp up in local vaccination programs.

Australia's GDP back on track

- May's Federal budget demonstrated that extra stimulus measures are set to continue, a strategy that is seeing Australia recover far more quickly than in previous recessions and when compared to many other developed economies.
- Better than expected GDP growth of 1.8% in the March quarter put Australia's economy back at pre-pandemic levels as solid consumer spending, particularly in the services sector, supported growth.
- The US and global Purchasing Managers' Indices (PMIs) reached record levels, demonstrating that consumer demand in the US remains buoyant and supply chain bottlenecks continue to plague the global industrial cycle, placing upward pressure on prices.

AUD fluctuates

- The AUD rose in the month against the USD but continued to fluctuate, being both suppressed by the RBA maintaining monetary support and buoyed by strong commodity prices, particularly for iron ore and precious metals.

Major asset class performance (%)

Asset classes	1 month	12 months	5 years (p.a.)
Australian shares	2.3	28.7	10.2
International shares (hedged)	1.0	35.6	13.6
International shares (unhedged)	1.2	20.4	12.8
International emerging markets (unhedged)	2.1	29.5	12.4
International small companies (unhedged)	0.7	34.4	12.4
Global listed property	1.3	31.5	4.8
Cash	0.0	0.1	1.3
Australian fixed interest	0.3	-1.2	3.3
International fixed interest	0.2	-0.2	3.2

Source: JP Morgan and OnePath, 31 May 2021.

Indices: Australian shares: S&P/ASX 300 Accumulation | International shares (hedged/unhedged): MSCI World ex Australia Net | International emerging markets: MSCI Emerging Markets Net in AUD (unhedged) | International small companies (unhedged): MSCI World ex Aust Small Cap | Global listed property: FTSE EPRA/NAREIT Developed Rental Index ex Australia (hedged) | Cash: Bloomberg Bank Bill | Australian fixed interest: Bloomberg AusBond Composite 0+ Yr Index | International fixed interest: Barclays Global Aggregate Bond Index (hedged).

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

Currency

Exchange rates	At close on 31/5/21	% change in 1 month	% change in 12 months
AUD/USD	0.77	0.23	16.00
AUD/Euro	0.63	-1.40	5.29
AUD/Yen	84.75	0.49	17.85
Trade weighted index	63.5	1.40	7.99

Source: Bloomberg and OnePath, 31 May 2021. All foreign exchange rates are rounded to two decimal places where appropriate.

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