



## Stocks continue to ignore bonds

- Global shares rose 1.8% and 4% in hedged and unhedged terms, respectively. Growth stocks outperforming following strong earnings results by tech companies such as Alphabet (owner of the Google search engine).
- Australian shares underperformed global shares, rising 1.1% in July. The leading sectors were materials (up 7.1%) buoyed by higher commodity prices and industrials (up 4.2%). Technology was one of the worst performers (down 6.9%).
- The Australian dollar (AUD) fell 1.8% against major currencies and 2.1% against the US dollar. The persistence of the Delta strain domestically with lockdowns in both NSW and Queensland (the latter being particularly prolonged) cast a shadow of the strong economic recovery. This reduced the likelihood of rate increases in the near term and soured investor sentiment
- Fixed income returns continued to recover as bond yields fell. The growth of the Delta strain both at home and overseas has weakened optimism over global growth, underpinning bond demand. Bonds and stocks are arguably suggesting different views of the world, the former pessimistic (bond yields falling), the latter, optimistic (stocks going up) with the truth likely to play out over the coming year.

#### As the lockdowns extend in Australia

#### Globally

- Global business surveys suggest economic growth momentum remains positive but slowing, led by the US and Europe.
- The UK experience with Delta stoked vaccine optimism with new daily cases materially declining from a recent 21 July peak of 47,723 per day to 25,934 per day in early August.

## Locally

- Inflation figures surprised on the upside with 3.8% growth for the year to June. This was driven by a strong rally in oil prices as demand recovered globally. Underlying inflation measures was subdued at 1.75%.
- The spread of the Delta variant domestically has seen lockdowns in Sydney extended until 28 August and is expected to weigh on the economy and jobs market with an outbreak in Queensland prompting new restrictions.
- Additional government support was introduced albeit dwarfed by 2020 efforts.
- The RBA left its cash rate unchanged and flagged expectations of negative economic growth in the September quarter but anticipated an economic bounce back. It also reiterated its planned reduction of bond purchasing from early September.

# Major asset class performance

Asset classes	1 month %	1 year %	5 years (p.a.) %
Australian shares	1.1	28.6	10.0
Australian small companies	0.7	32.3	9.6
Global shares (hedged)	1.8	33.7	13.9
Global shares (unhedged)	4.0	31.8	15.2
Global small companies (unhedged)	1.4	42.2	13.7
Global emerging markets (unhedged)	-4.7	17.7	11.1
Global listed property (hedged)	3.9	33.6	4.5
Cash	0.0	0.1	1.3
Australian fixed income	1.8	0.5	3.4
International fixed income	1.3	0.1	3.0

Source: Bloomberg & IOOF, 31 July 2021

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 31/7 %	1 month change %	1 year change %
USD/AUD	0.73	-2.1	2.8
Euro/AUD	0.62	-2.2	2.0
Yen/AUD	80.6	-3.3	6.6
Trade weighted index	61.6	-1.8	-0.5

Source: Bloomberg & IOOF, 31 July 2021.

All foreign exchange rates are rounded to two decimal places where

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

Disclaimer: This report is prepared by Bridges Financial Services Pty Limited ABN 60 003 474 977 AFSL 240837 (Bridges). Bridges is an ASX Market Participant and part of the IOOF group of companies. This report is prepared by the IOOF Research team for Bridges Financial Services Pty Limited ABN 60 003 474 977 AFSL 240837, Consultum Financial Advisers Pty Ltd ABN 65 006 373 995 AFSL 230323, Elders Financial Flanning ABN 48 007 997 186 AFSL 224645, Financial Services Partners ABN 15 089 512 587 AFSL 237 590, Millennium3 Financial Services Pty Ltd ABN 61 094 529 987 AFSL 244252, RI Advice Group Pty Ltd ABN 23 001 774 125 AFSL 238429, Shadforth Financial Group Ltd ABN 27 127 508 472 AFSL 318613 ('Advice Licensees'). The Advice Licensees AFSL 237 590, Millennium3 Financial Services Pty Ltd ABN 61 094 529 987 AFSL 244525, RI Advice Corona Pty Ltd ABN 73 100 1774 125 AFSL 238429, Shadforth Financial Group Ltd ABN 73 127 508 472 AFSL 318613 (\*Advice Licensees are part of the 100F group comprising 100F holdings, ABN 49 to 100 137 222 and its related be obdies corporate (100F group). The Advice Licensees and/or their associated entities, directors and/or employees may have a material interest in, and may earn brokerage from, any securities or other financial products referred to in this document or may provide services to the company referred to in this report. The document is not available for distribution outside Australia and may not be passed on to any third person without the prior written consent of the Advice Licensees. The Advice Licensees and associated persons (including persons from whom information in this report is sourced) may do business or seek to do business with companies covered in its research reports. As a result, investors should be aware that the firms or other such persons may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as a single factor in making an investment decision. The document is current as at the date of issue but may be superseded by future publications. You can confirm the currency of this document by checking the intranet site (links below). The information contained in this report is for the sole use of advisers and clients of AFSL entities authorised by the Advice Licensees Financial Services Guide (FSG) from their respective well-see for the sole used for a sole and clients of AFSL entities authorised by the Advice Licensees Financial Services Guide (FSG) from their respective well-see for the sole used for the Advice Licensees financial Services Guide (FSG) from their respective well-see for the advice Licensees financial Services Guide (FSG) from their respective well-see for their see for the Advice Licensees financial Services Guide (FS relation to, the contents of this report. For information regarding any potential conflicts of interest and analyst holdings; IOOF Research Team's coverage criteria, methodology and spread of ratings; and summary information about the qualifications and experience of the IOOF Research Team please visit https://www.ioof.com.au/adviser/ir