

Monthly Market Snapshot

December 2020

The Monthly Market Snapshot publication provides commentary on the global economy and the performance of financial markets

 **frontier**

avsuper 

Market Commentary

International equity markets maintained their strength into 2021. The US equity market rose but underperformed relative to the broad world equity market index this month.

Economic conditions in the US continue an upward trajectory and remained strong in December 2020. Business activity in the services sector within the US continued to climb for the seventh month in a row. On a similar note, economic activity in the manufacturing sector grew in December, with the overall economy notching an eighth consecutive month of growth. Demand expanded and consumption was a large contributor to the Manufacturing PMI calculation. The US Federal Reserve has extended its asset purchase program. The US economy remains far from their employment and inflation target – in turn officials from the US Federal Reserve committee have indicated the central bank will likely continue their bond buying program for quite some time. Political tensions in the US remain a major focus. US stocks have been mixed in response to the recent storm of the House, US senate election results and impeachment proceedings of Donald Trump

Within the UK, the pandemic continues to take center stage as they battle to rollout vaccinations amid the spread of the mutated strain. UK equities have generally underperformed other international markets over the last 12 months in the face of rising COVID-19 cases and Brexit uncertainty. However, UK equities managed to outperform the world equity index slightly in the month of December as that level of uncertainty on Brexit dissipated somewhat – the UK officially left the EU at the end of the year.

Within the Eurozone, economic activity continues to be weak. Both the Manufacturing and Services PMI improved to a two-month high but remain below the level of a healthy economy. Equity markets within the Eurozone continue to remain resilient with rates and bonds in negative regions.

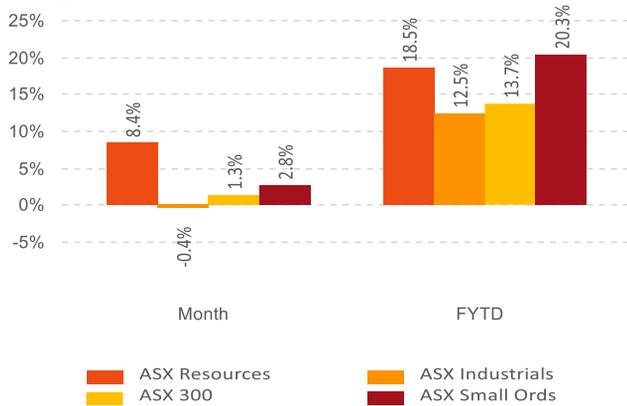
Within emerging market economies, equities have outperformed with Korea, China and Taiwan the leading the outperformance for 2020. Technology and Health care sectors led the outperformance

within emerging markets. With the exception of Hong Kong, PMIs across emerging economies in Asia were positive in December 2020. LATAM equity markets continue to be weak as many of those countries battle the impact of COVID-19.

Domestically, the ASX underperformed for the year 2020 but performed positively on a FYTD basis. Recent trade tensions with China have been a major focus and likely contributed to Australian equity underperformance. Within the ASX, Technology, Materials and Consumer Discretionary sectors lead the outperformance in the second half of 2020. AREITs were negative for 2020 but performed positively in the second half of 2020. The AUD strengthened over 2020 alongside rising commodity prices, particularly iron ore, with the outperformance strongest against the USD.



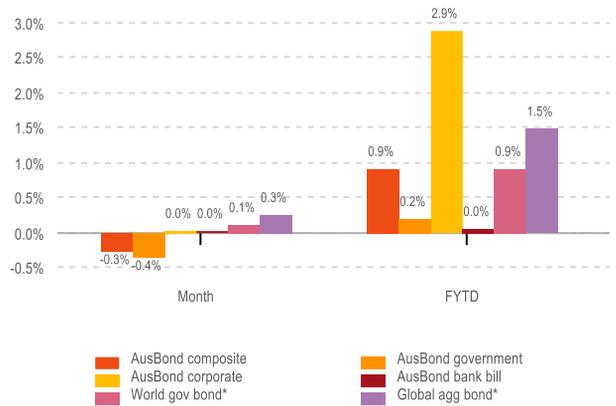
Australian Equities



Source: Refinitiv Datastream



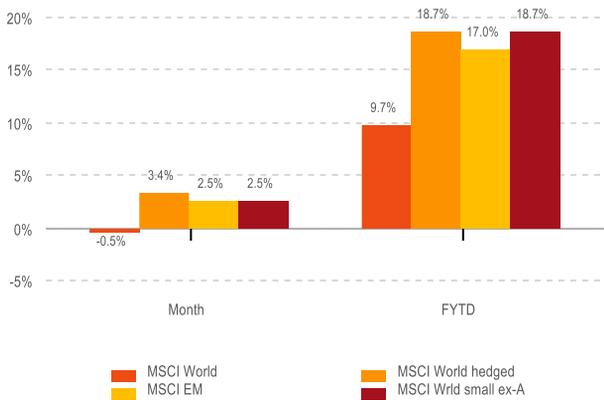
Fixed Income



Source: Refinitiv Datastream



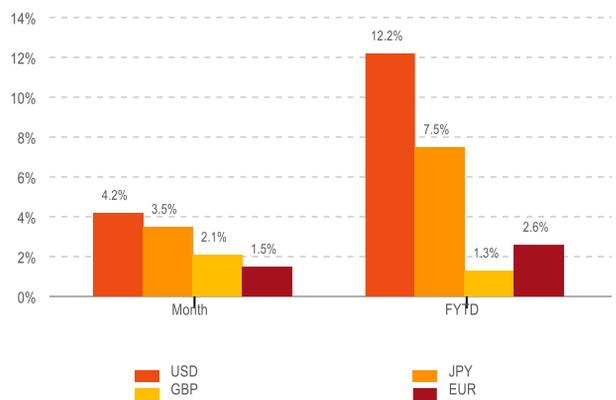
International Equities (\$A)



Source: Refinitiv Datastream



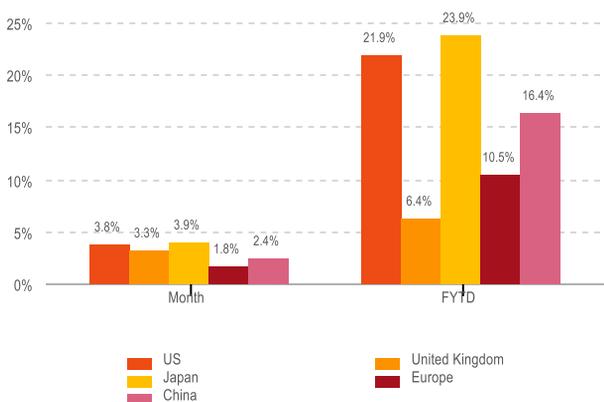
Australian Dollar



Source: Refinitiv Datastream



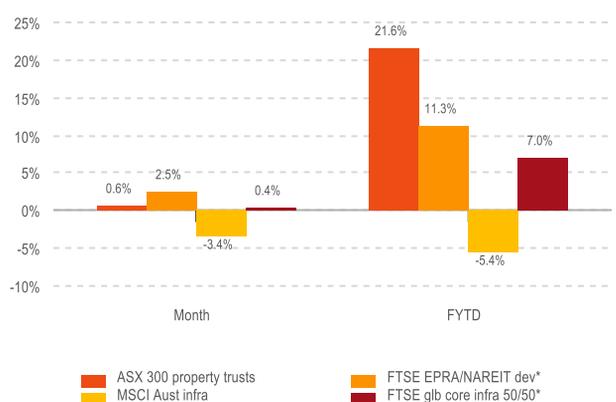
International Equities



Source: Refinitiv Datastream



Real Assets



Source: Refinitiv Datastream *Hedged A\$

Details of the indices are in the table on the next page

Dec 2020

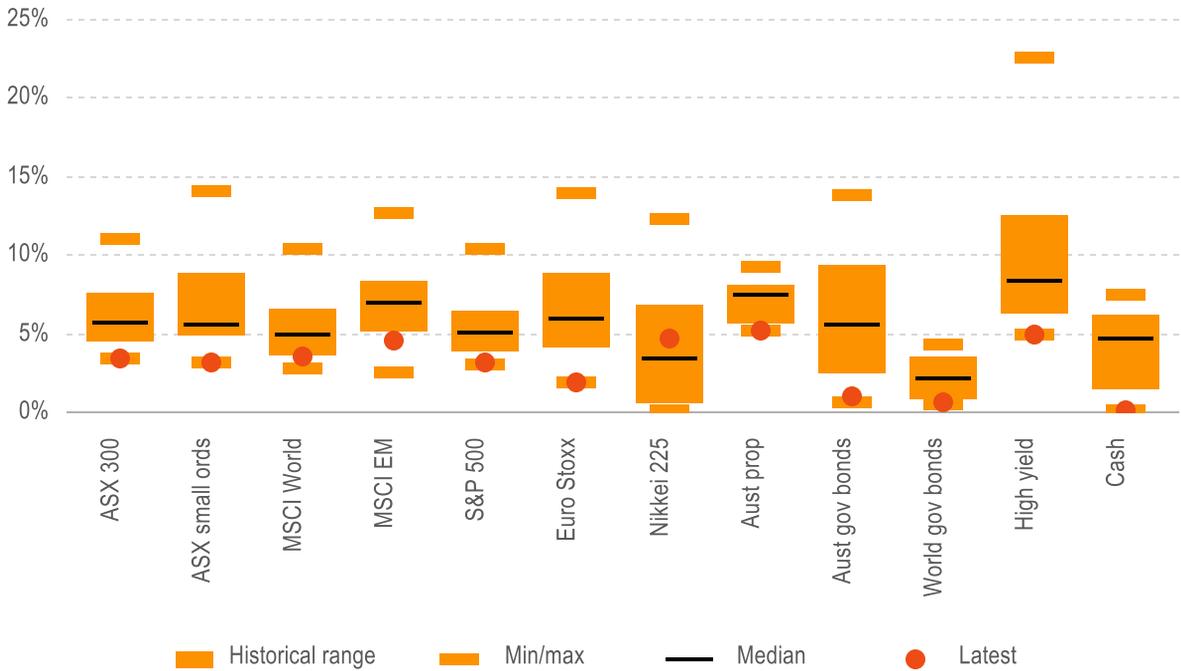
	Index Value	Month	3 Months	FYTD	1 Year	5 Yr p.a.	
Australian Equities							
	S&P/ASX 300 Accum. Index	6,668	2.8%	15.4%	15.3%	1.4%	9.1%
	S&P/ASX 300 Accum. Industrials Index	10,161	1.1%	14.3%	14.2%	-0.5%	6.9%
	S&P/ASX 300 Accum. Resources Index	5,162	9.5%	19.8%	19.7%	9.2%	20.4%
	ASX Small Caps Accum. Index	3,119	3.7%	14.9%	21.4%	8.4%	10.6%
International Equities							
	MSCI World Index (\$A)	3,914	-0.2%	6.1%	10.0%	5.6%	10.8%
	MSCI World Index (Hedged \$A)	3,370	0.1%	8.2%	15.0%	9.0%	10.2%
	MSCI Emerging Markets Index (\$A)	1,211	2.8%	11.4%	17.3%	7.2%	11.7%
	MSCI World ex-Aus Small Cap Index (\$A)	530	3.2%	15.8%	19.5%	5.8%	10.4%
	US (S&P 500 Index in USD)*	3,732	3.0%	11.0%	20.4%	15.9%	12.6%
	US Tech (NASDAQ Index in USD)*	12,870	5.5%	15.2%	27.9%	43.9%	20.5%
	United Kingdom (FTSE 100 Index in GBP)*	6,556	4.6%	11.8%	6.3%	-13.6%	0.9%
	Japan (Nikkei 225 Index in JPY)*	27,444	3.8%	18.4%	23.1%	16.0%	7.6%
	Europe (Stoxx 50 Index in EUR)*	3,572	2.3%	11.8%	10.4%	-4.7%	1.7%
	China (Shanghai Composite Index in CNY)*	3,414	0.7%	6.1%	14.4%	12.3%	-0.9%
AUD versus ...							
	USD	0.77	3.6%	7.7%	11.6%	9.5%	1.0%
	JPY	79.10	3.0%	5.5%	7.0%	3.7%	-2.1%
	GBP	0.57	2.0%	2.1%	1.2%	6.1%	2.8%
	EUR	0.62	0.9%	2.9%	2.0%	-0.2%	-1.3%
Real Assets							
	ASX 300 Listed Property Trusts Accum. Index	1,478	3.2%	16.2%	24.8%	-3.2%	7.6%
	FTSE EPRA / NAREIT Dev. Index (Hedged \$A)	1,556	2.3%	10.4%	11.0%	-13.6%	2.7%
	MSCI Australia Infrastructure	1,153	-2.3%	-0.6%	-4.3%	-13.0%	3.0%
	FTSE Global Core Infra 50/50 Index (Hedged \$A)	2,224	-0.2%	5.4%	6.5%	-6.8%	8.6%
Oil and Commodities							
	Crude Oil (US\$/bbl)	48.3	6.5%	20.5%	22.9%	-21.8%	5.7%
	Copper Spot (US\$/tonne)	7,834	3.5%	17.5%	30.5%	26.4%	10.6%
	Gold Spot (US\$/ounce)	1,885	6.2%	-0.8%	5.7%	24.4%	12.2%
Australian Fixed Interest							
	Bloomberg AusBond Composite Index	10,699	-0.3%	-0.1%	0.9%	4.5%	4.6%
	Bloomberg AusBond Government Index	11,156	-0.4%	-0.6%	0.2%	4.1%	4.6%
	Bloomberg AusBond Corporate Index	11,103	0.0%	1.4%	2.9%	5.3%	5.0%
	Bloomberg AusBond Bank Bill Index	9,020	0.0%	0.0%	0.0%	0.4%	1.5%
Global Fixed Interest							
	FTSE WGBI ex-Aus (Hedged \$A)	2,650	0.1%	0.2%	0.9%	5.9%	4.5%
	Barclay's Global Agg. Bond Index (Hedged \$A)	1,112	0.2%	0.7%	1.4%	5.0%	4.6%
Fixed Income (yields) as at ...							
		Dec 2020	Nov 2020	Sep 2020	Jun 2020	Dec 2019	Dec 2015
	Australia Bank Bill	0.01	0.02	0.09	0.09	0.87	2.06
	Australia 10-Year Government Bond	0.97	0.91	0.85	0.88	1.31	2.80
	US 10-Year Government Bond	0.93	0.84	0.68	0.65	1.89	2.30
	UK 10-Year Government Bond	0.21	0.31	0.23	0.17	0.87	1.99
	Germany 10-Year Government Bond	-0.57	-0.57	-0.52	-0.46	-0.18	0.63
	Japan 10-Year Government Bond	0.02	0.03	0.02	0.03	-0.02	0.27

Source: Refinitiv Datastream

*Price Index

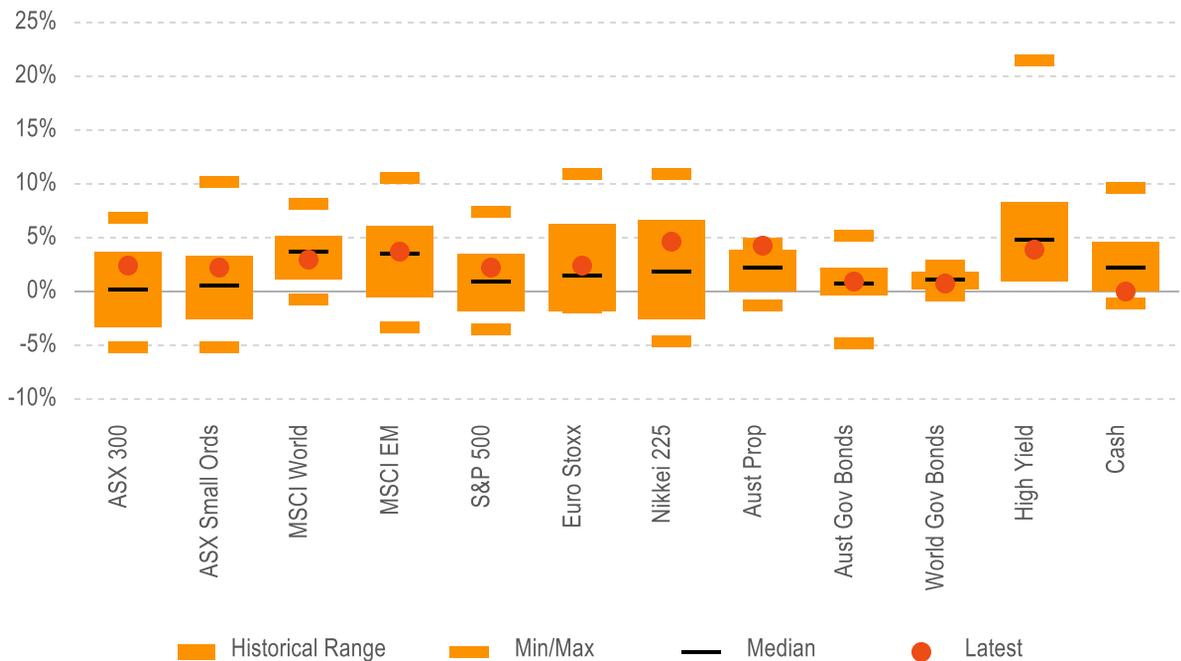
Asset class yields relative to history

Current yields (equities earnings)



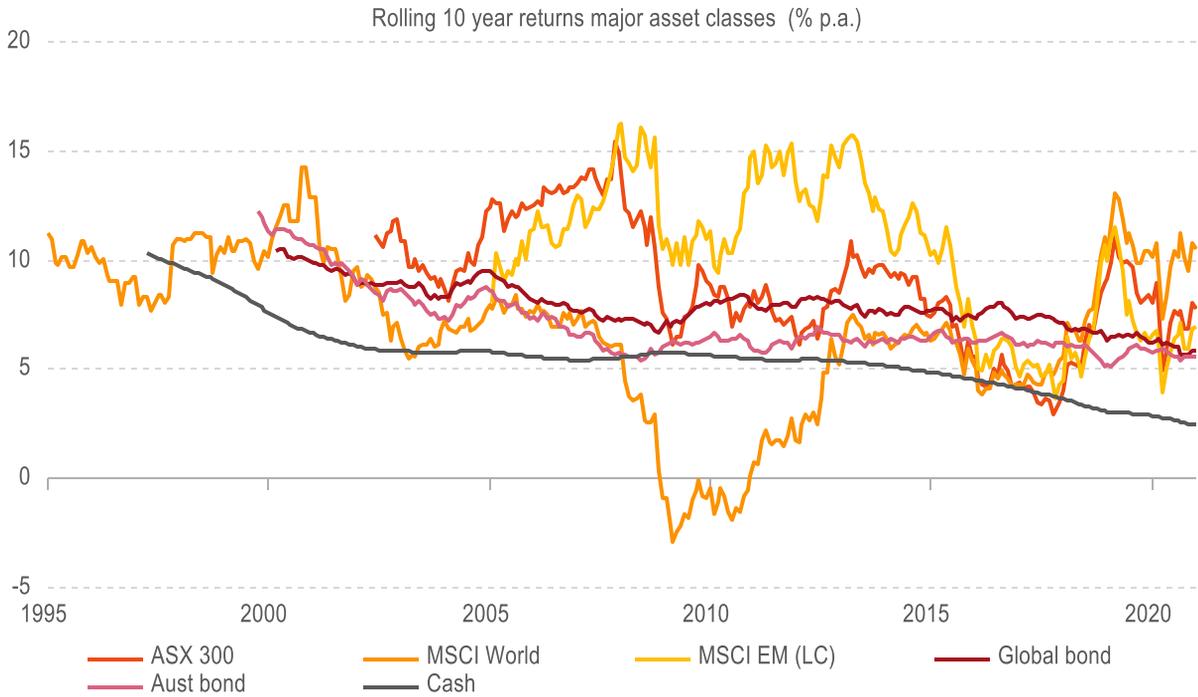
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Relative Yields (vs bond or cash yield)

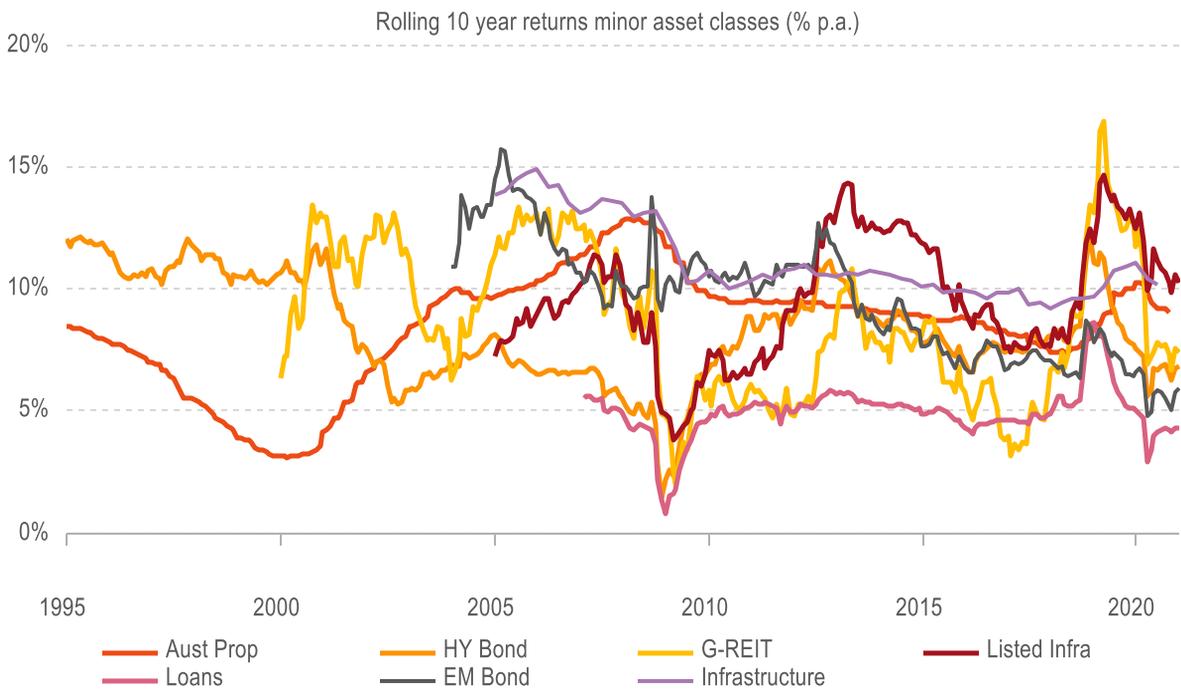


Source: Refinitiv Datastream

Asset class long-term returns



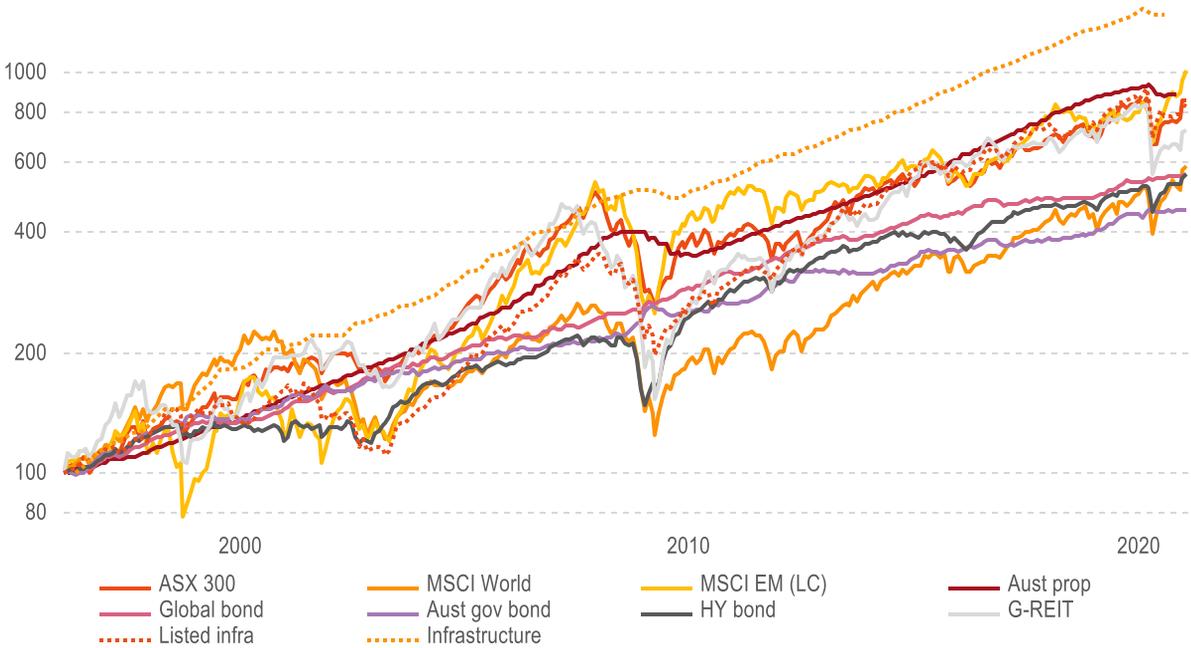
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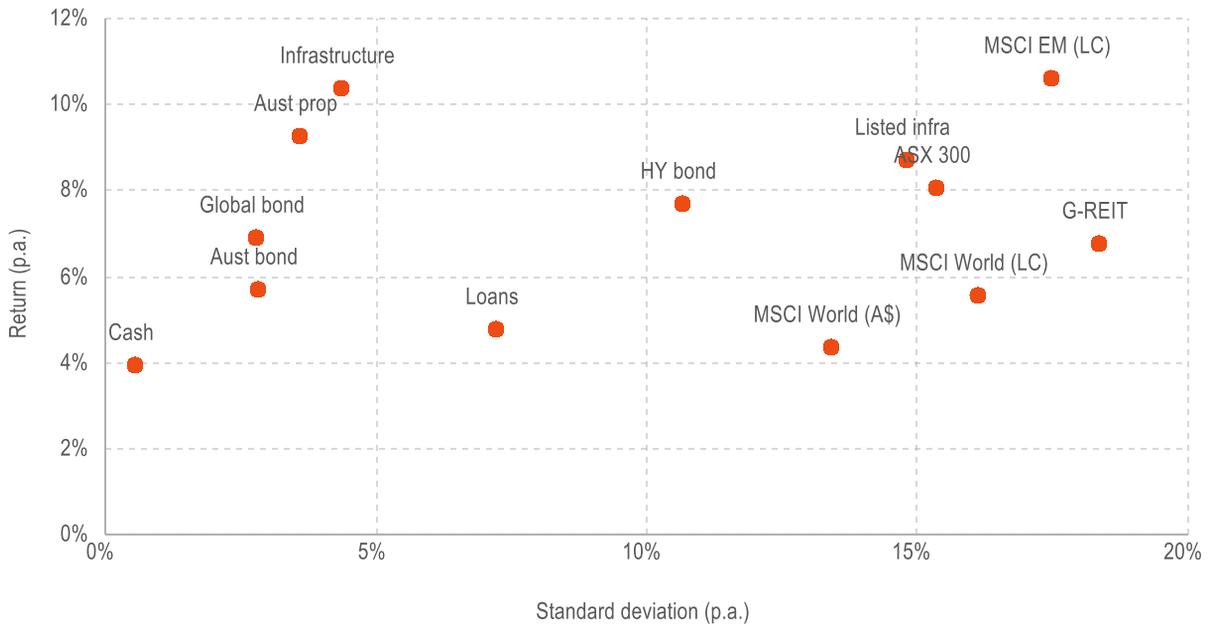
Asset class long-term returns

Cumulative values since 1 Jan 96 (\$100 reinvested)



Source: Refinitiv Datastream

Return-risk profile over 20 years (p.a.) to Dec 2020



Source: Refinitiv Datastream



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