

Market Wrap

August: Currency Decline Favours Unhedged Equities

- During August, **Global Share** performance was mixed. Global shares gained 1.6% on an unhedged basis, but lost 2.2% on a hedged basis, due to a depreciating AUD relative to the USD.
- For August, the U.S. S&P 500 price index was down 1.8%. Several of the household-name tech giants experienced a pullback and weighed on the index overall. At the sector level, Consumer Staples companies were generally weaker, as were Financials and Real Estate.
- **Australian shares** lost ground over the month, with the broad market index, the S&P/ASX 200 Accumulation Index losing 0.7%. The best performing sectors were Consumer Discretionary and Property Trusts, which were up 4.6% and 1.7% respectively. Utilities was the worst performing sector for the month, losing 4.3%.
- **Fixed income** returns for the month were mixed, with Australian Fixed Interest gaining a solid 0.7%, while global fixed interest lost 0.3%.
- The Australian dollar lost 3.9% against the U.S. dollar over the month. The U.S. dollar strengthened against all other major currencies, benefitting from resilient domestic growth against a weak global backdrop. The market is anticipating that higher rates for longer may be required in order to bring inflation sustainable back to target.

U.S. Inflation Up Again

Globally

- The annual inflation rate in the U.S. accelerated for a second straight month to 3.7% in August from 3.2% in July, above market forecasts of 3.6%. Oil prices have been on the rise in the previous two months, which coupled with base effects from last year, pushed the inflation higher.
- China's consumer prices rose by 0.1% YoY in August 2023, compared with market forecasts of a 0.2% gain and after the first drop in over 2 years of 0.3% a month earlier. Non-food prices increased by 0.5%, picking up from a flat reading previously, as cost went up for clothing (1.1% vs 1.0% in July), housing (0.1% vs 0.1), health (1.2% vs 1.2%), and education (2.5% vs 2.4%).

Locally

- The monthly Consumer Price Index (CPI) indicator in Australia increased by 4.9% in the year to July 2023, slowing from a 5.4% gain in June and below the market consensus of a 5.2% rise. This was the lowest inflation rate since February 2022, mainly due to a slowdown in housing and food prices.
- The monthly CPI indicator excluding volatile items and travel advanced by 5.8% in July, down from the rise of 6.1% in June.

Major asset class performance

Asset classes	1 month %	1 year %	5 years (p.a.) %
Australian Shares	-0.7%	9.6%	7.0%
Australian small companies	-1.3%	-1.1%	2.4%
Global shares (hedged)	-2.2%	11.4%	6.6%
Global shares (unhedged)	1.6%	22.6%	10.8%
Global small companies (unhedged)	0.1%	14.3%	6.2%
Global emerging markets (unhedged)	-2.4%	7.2%	3.2%
Global listed property (hedged)	-2.7%	-7.0%	-0.9%
Cash	0.4%	3.4%	1.2%
Australian fixed income	0.7%	1.8%	0.6%
International fixed income	-0.3%	-1.2%	0.1%

Source: FactSet, Lonsec & Insignia Financial, 31 August 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 31/08 %	1 month change %	1 year change %
USD/AUD	0.6477	-3.9%	-5.5%
Euro/AUD	0.5967	-2.4%	-12.5%
Yen/AUD	94.29	-1.5%	-0.8%

Source: FactSet & Insignia Financial, 31 August 2023

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

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