

Market Wrap

Vaccine hopes surged

- **Global shares** rose 7.7% and 12.2% in hedged and unhedged terms, respectively. Global equities were led on the upside by European equities with the German market up 15% and the French rising 20.1%, both in local currency terms. Positive vaccine trial results from the likes of Moderna and Pfizer were the major catalysts promising a closer end to the coronavirus pandemic.
- **Emerging markets** rose 5.9% during November in Australian Dollar (AUD) terms lagging developed markets. This was due in part to underperformance by index heavyweight Alibaba which withdrew the planned listing of its subsidiary Ant Financial after a fierce regulatory backlash.
- **Australian shares** outperformed global shares rising 10.2% in November. The market was led by strength from the energy (up 28.4%) and financial (up 15.2%) sectors. Energy stocks rose as investors anticipated economic recovery (and higher oil prices) on vaccine news.
- The **Australian dollar (AUD)** bounced back sharply rising 3.4% against major currencies and 4.5% against the US dollar.
- **Fixed income** returns were flat domestically but positive internationally. Despite support from the RBA rate cut domestically this was more than swamped by the surge in "risk on" sentiment which benefited non-government bonds (that carry the risk of bankruptcy). The Australian market is dominated by government bonds more so than the global bond market. This helped explain the relatively weak returns in the month.

As trials deliver promising results

Globally

- The second wave of coronavirus cases in Europe and the US appears to be abating with case growth falling from peak levels in recent weeks.
- President Trump appears ready to allow an orderly transition to President elect Joe Biden, countering fears of a prolonged election battle with the Trump campaign failing to successfully contest the election.

Locally

- The RBA cut interest rates by 0.15% to a new low of 0.1% in part to reduce pressure on the AUD. This effort was thwarted by vaccine trial success that stoked optimism over stronger global growth and demand for Australian resources.
- Geopolitical tensions with China intensified following an airing of grievances against Australia and punitive tariffs on Australian wine exports, hurting businesses such as Penfolds producer, Treasury Wine Estates.
- Business surveys pointed to a bounce back in economic activity overall as Melbourne exited lockdown restrictions.

Major asset class performance

Asset classes	1 month %	1 year %	5 years (p.a.) %
Australian shares	10.2%	-2.0%	9.1%
Global shares (hedged)	12.2%	10.0%	10.3%
Global shares (unhedged)	7.7%	5.6%	10.6%
Global small companies (unhedged)	11.2%	3.8%	9.5%
Global emerging markets (unhedged)	5.9%	10.6%	10.7%
Global listed property (hedged)	11.7%	-16.1%	2.5%
Cash	0.0%	0.4%	1.6%
Australian fixed income	-0.1%	3.0%	4.7%
International fixed income	0.5%	4.5%	4.5%

Source: Bloomberg & IOOF, 30 November 2020

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 market

Exchange rates	At close on 30/11	1 month change %	1 year change %
USD/AUD	0.73	4.5%	8.6%
Euro/AUD	0.62	2.0%	0.3%
Yen/AUD	76.6	4.1%	3.5%
Trade weighted index	61.5	3.4%	4.2%

Source: Bloomberg & IOOF, 30 November 2020. All foreign exchange rates are rounded to two decimal places where appropriate.

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