Market Wrap

Market slump in January

- **Global shares** fell 2.2% and 5.1% in unhedged and hedged terms, respectively. Global emerging markets rose 1.2% over the month.
- Australian shares performed poorly during January, with the S&P/ASX 200 losing 6.4%. The leading sectors were Energy (up 7.88%) and Utilities (up 2.56%). I.T. was again the worst performing sector for the month (down 18.43%).
- **Fixed income** returns for the month were very poor, returning -1.0% domestically and -1.6% globally.
- The Australian dollar (AUD) lost 2.70% against the US dollar and 2.76% against the Yen. Note by mid-February, the AUD is back up trading around 0.7185 USD.

Inflation and Tapering

Globally

- U.S inflation is still red hot. The consumer price index rose 0.6% for the month of January, 7.5% on a year-on-year basis, and was the fastest rate since February 1982.
- Minutes of the January 25-26 Federal Open Market Committee meeting stated, "that if inflation does not move down as they expect, it would be appropriate for the Committee to remove policy accommodation at a faster pace than they currently anticipate".
- China's inflationary pressure continued to ease in January, with the growth of both consumer and factorygate prices slowing further.

Locally

- Australia's Consumer Price Index rose 1.3% in the December quarter, bringing inflation for the full 2021 year to 3.5%.
- This is above the Reserve Bank of Australia's mediumterm target range of 2-3% inflation. It will excite speculation about the central bank lifting interest rates far sooner than expected.
- As expected, at the RBA's February Board meeting, a decision was made to end QE.
- The official cash rate remained at 0.10%, but the futures market is pricing in 4 rate rises this year.

Major asset class performance

Asset classes	1 month %	1 year %	5 years (p.a.) %
Australian shares	-6.4	9.4	8.5
Australian small companies	-9.0	6.7	9.6
Global shares (hedged)	-5.1	18.6	12.5
Global shares (unhedged)	-2.2	27.3	15.1
Global small companies (unhedged)	-4.7	13.5	11.6
Global emerging markets (unhedged)	1.2	1.0	9.9
Global listed property (hedged)	-5.5	22.2	5.8
Cash	0.0	0.0	1.1
Australian fixed income	-1.0	-3.5	3.0
International fixed income	-1.6	-2.6	2.9

Source: Bloomberg & IOOF, 31 January 2022

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 31/01 %	1 month change %	1 year change %
USD/AUD	0.71	-2.7	-7.5
Euro/AUD	0.63	-1.6	-0.1
Yen/AUD	81.4	-2.8	1.7
Trade weighted index	59.3	-2.9	-5.9

Source: Bloomberg & IOOF, 31 January 2022

All foreign exchange rates are rounded to two decimal places where appropriate. Please note: Past performance is not indicative of future performance.

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 Planning 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 242452, RI Advice Group Pty Ltd ABN 23 001 774 125 AFSL 23429, Shadforth Financial Group Ltd ABN 27 150 54 72 AFSL 318613 (Advice Licensees). The Advice Licensees and approximately 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. Investors should be avare that the firms or other such persons may have a material interest in 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. Investors should be avare that the firms or other such persons may have a conflict of interest that could affect the objectivity of this report. Investors should be onsider this report as a single factor in making an investment decision. The document is current as at he det of Stab use 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 on the solue of advisers and clients of AFSL exites and below the information on take into account the financial advice into account of the function of the second the financial advice into account the financial advice into account of the second the advice Licensees and aso the device Licensees. The advice Licensees and advice t