Monthly Economic Wrap

August 2022

Summary

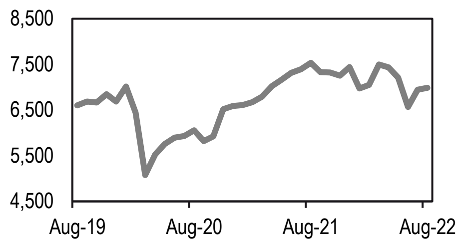
Economic

- As far as economic trends go, little has changed from last month. The RBA and the Fed have continued to raise rates, the hawkish rhetoric is unchanged and there is still no sign that either the RBA or the Fed will pivot anytime soon.
- Inflation remains elevated, although there are starting to be some signs that it may be starting to dissipate somewhat. While we could potentially be past the peak of inflation, expectations are that inflation will remain above central banks' targets for the short to medium term.
- Interestingly, unemployment rates are still not consistent with previous recession scenarios. The US economy added 315K payrolls in August of 2022, compared to a downwardly revised 526K in July, but above market forecasts of 300K and pointing to broad-based hiring across many sectors. The unemployment rate in the Euro Area also continues to reduce, albeit, at a much slower rate. Australia's job market continues to remain tight, as the unemployment rate hit a new record low of 3.4% in July beating expectations by 0.1%.

Markets

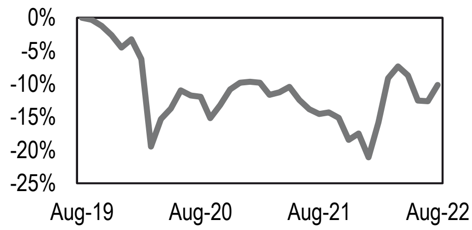
- The S&P 500 lost just over 4%, while the Australian S&P 200 rose by 0.6%. Growth and Quality stocks underperformed during August, which explains some of the difference between the two markets. I.T. is considered a growth sector and is underrepresented in the Australian market. This combined with Australian resources companies generating significant cashflows helped the Australian market outperform the U.S. market over August.
- Fixed income markets struggled again in August, with Government bonds both in Australia and globally being impacted by rising bond yields. It should be noted that a large proportion of forecast interest rate rises around the world are already priced into bond markets and therefore, unless further rate rises exceed current expectations, further impacts on bonds should be significantly less than what we have seen since the start of the year.

1. S&P/ASX 200 Price Index



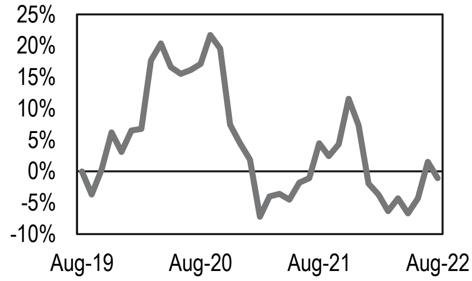
Source: Bloomberg, IOOF

2. ASX200 vs All-World, US$ terms



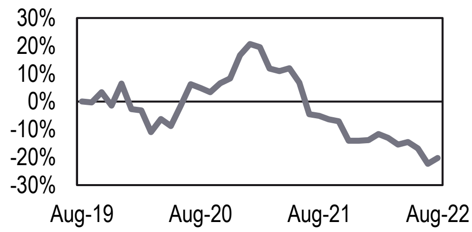
Source: Bloomberg, IOOF

3. Australia – Growth vs Value stocks



Source: Bloomberg, IOOF

4. Emerging markets vs Developed Markets, (In USD)



Sources: Bloomberg, MSCI, S&P, IOOF

Sector and stock returns – August 2022

ASX/S&P 200 Sectors (GICS)				
	Monthly	**% Δ**	**Quarterly**	**% Δ**
▼	Consumer Discretionary	-0.21	Consumer Discretionary	0.05
▼	Consumer Staples	-2.65	Consumer Staples	1.79
▲	Energy	7.42	Energy	9.40
▼	Financials ex Property	-1.35	Financials ex Property	-4.99
▼	Financials	-1.35	Financials	-4.99
▲	Health Care	0.39	Health Care	4.74
▲	Industrials	0.96	Industrials	-0.66
▼	IT	-0.39	IT	2.13
▲	Materials	3.90	Materials	-9.63
▼	Property Trusts	-4.21	Property Trusts	-5.23
▲	Telecommunications	1.24	Telecommunications	2.30
▼	Utilities	-1.61	Utilities	-6.45

Source: Bloomberg, IOOF

Best and Worst S&P/ASX 200 Performers			
Top five stocks		**Bottom five stocks**	
Monthly			
Lake Resources Nl	44.4%	City Chic Collective Ltd	-29.1%
Oz Minerals Ltd	36.2%	Megaport Ltd	-25.1%
Pilbara Minerals Ltd	31.8%	Ramelius Resources Ltd	-25.0%
Liontown Resources Ltd	31.4%	St Barbara Ltd	-18.2%
Whitehaven Coal Ltd	28.2%	Telix Pharmaceuticals Ltd	-16.1%
Quarterly			
Whitehaven Coal Ltd	50.8%	Novonix Ltd	-40.8%
Wisetech Global Ltd	39.6%	Ramelius Resources Ltd	-38.4%
Life360 Inc-Cdi	34.4%	Evolution Mining Ltd	-37.8%
Telix Pharmaceuticals Ltd	33.0%	EML Payments Ltd	-37.3%
New Hope Corp Ltd	32.1%	Champion Iron Ltd	-31.7%

Source: Bloomberg, IOOF

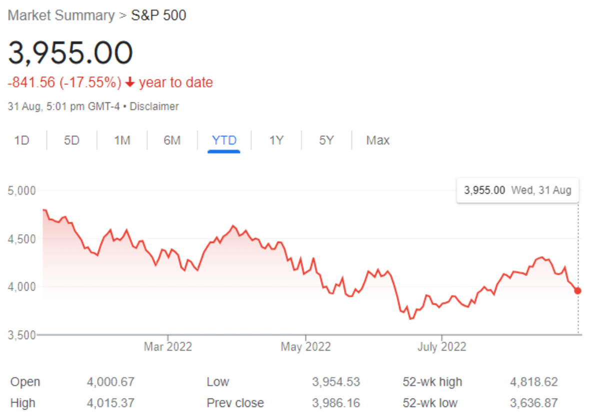
Share Markets, Returns

	Australian Indices	31 Aug 2022 Price	1M return (%)	31 May 2022 Price	3M return (%)
▲	S&P/ASX 200	6987	0.60	7211	-3.11
▲	All Ordinaries	7226	0.73	7455	-3.07
▲	Small Ordinaries	2965	0.27	3064	-3.23
	US Indices				
▼	S&P 500	3955	-4.24	4132	-4.29
▼	Dow Jones	31510	-4.06	32990	-4.49
▼	Nasdaq	11816	-4.64	12081	-2.20
	Asia Pacific Indices				
▼	Hang Seng	19954	-1.00	21415	-6.82
▲	Nikkei 225	28092	1.04	27280	2.98
	UK & Europe Indices				
▼	FTSE 100	7284	-1.88	7608	-4.25
▼	CAC40	6125	-5.02	6469	-5.31
▼	DAX Index	12835	-4.81	14388	-10.80

Sources: Bloomberg, MSCI, FTSE, S&P, IOOF
Note: return is reported on a price basis and in local currency terms e.g., S&P500 performance is in US dollars and excluding dividends

Global equity markets

The equity markets continued their July positive momentum into August, before running out of steam mid-month. The equity markets pivoted and weakened into the Jackson Hole Economic Symposium in late August. On 26 August, Chairman Powell re-affirmed their "restrictive policy for some time" helping to push the S&P 500 to be down 4.24% for the month and down 8.13% from the mid-August high.



Source: Google, accessed 1/09/2022.

Returns to 31 August 2022	1-mth	3-mth	6-mth	1-yr
MSCI World Index	-2.5%	-1.2%	-5.7%	-9.5%
Value	-1.4%	-3.1%	-3.0%	-1.3%
Value-Weighted	-1.7%	-3.1%	-4.3%	-2.5%
Momentum	-0.8%	-1.4%	-8.0%	-14.7%
Growth	-3.6%	1.4%	-9.1%	-17.8%
Quality	-4.2%	-1.3%	-7.2%	-14.5%
Low volatility	-1.2%	-0.8%	-0.8%	-4.4%
Equal weight	2.7%	-0.1%	2.1%	0.0%
Small caps	-1.5%	-0.4%	-6.7%	-13.7%

Source: Bloomberg, IOOF, MSCI

After rebounding strongly for 8 weeks from mid-June to mid-August, global Growth stocks again felt valuation pressure. Global Quality stocks were hurt the most as valuations of the most loved companies continue to be questioned. How much of a premium price does a premium company deserve to be on? Especially if the Federal Reserve is even more aggressive on interest rates? Growth companies were quick to be sold off following the recent highs of mid-August. While the headline figure doesn't capture this sentiment, growth is being subdivided into companies with earnings and companies without.

Australian equity markets

The Australian market, as measured by the S&P/ASX 200 Index was up 0.7% for the month.

Returns to 31 August 2022	1-mth	3-mth	6-mth	1-yr
MSCI Australia Index	0.7%	-2.9%	1.6%	-2.3%
Value	2.2%	-5.7%	0.2%	1.5%
Value-Weighted	0.6%	-4.5%	0.8%	1.6%
Momentum	1.0%	-3.4%	1.1%	-5.7%
Growth	-3.6%	1.4%	-9.2%	-17.8%
Quality	-4.8%	-2.0%	-8.1%	-15.5%
Low volatility	-0.7%	-3.2%	-0.2%	-3.8%
Equal weight	2.7%	-0.1%	2.1%	0.0%
Small caps	0.6%	-2.6%	-6.1%	-14.7%

Source: Bloomberg, IOOF, MSCI

Australia held up a little better than the US markets in the August pull back, but the bulk of Australian equities also didn't rally as strongly from the mid-June lows either.

The global equity themes were mirrored in the Australian market to a degree with Growth and Quality feeling the greatest selling pressure. The Australian earning season also highlighted how well our resource companies have been doing generating significant cashflows that they passed through to investors.

Fixed Income

	Fixed Income	31 Aug 2022 yield	1M mvt (bps)	31 May 2022 yield	3M mvt (bps)
▲	Australian Cash rate	1.85	0.50	0.35	1.50
▲	10-year Bond Yield	3.60	0.54	3.35	0.24
▲	3-year Bond Yield	3.21	0.55	2.84	0.36
▲	90 Day Bank Accepted Bills SFE-Day	2.47	0.32	1.19	1.28
▲	US 10-year Bond Yield	3.19	0.54	2.84	0.35
▲	US 3-year Bond Yield	3.51	0.71	2.72	0.79
▲	US Investment Grade spread	2.07	0.04	1.82	0.25
▲	US High Yield spread	5.22	0.14	4.23	0.99

Source: Bloomberg, IOOF

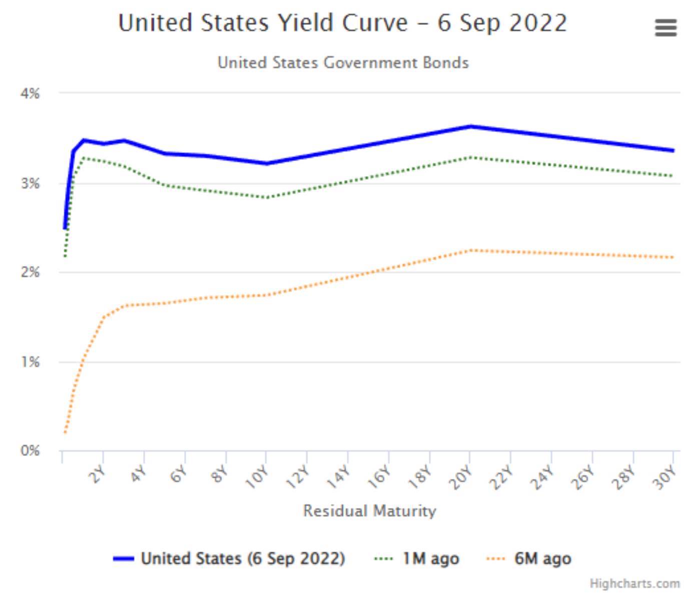
Australian bond market

After having an excellent month in July, Australian Fixed Interest funds in general had a poor month, with the main Australian Fixed Interest index, the Bloomberg AusBond Composite 0+ Years Index losing 2.5%. Australian yields, across the curve, rose by approximately 55 basis points, unfortunately giving back a lot of the ground re-couped during July. During August, the Australian 10-year bond yield increased by 0.54%, which is a large move by historical standards, but appears to be becoming more common in recent times. The Australian 3-year bond yield increased by 0.55%, which is also large move by historical standards.

Australian corporate bonds also sold off in August, with the Bloomberg AusBond Credit 0+ Years Index losing 1.4% for the month. Note this index has approximately 3.5 years of duration, so the rising yields had a greater impact on performance during August than the movements in credit spreads did.

US bond market

Government bond yields rose sharply, meaning prices fell, as inflation remained elevated, and the Fed reaffirmed its commitment to reining in price increases. As can be seen in the chart below, over the last month, the yield curve has risen pretty much across the board. This resulted in negative returns in August for fixed interest investors. Note the 2-year / 10-year part of the curve remains inverted, which is no surprise given the number of economic indicators showing a significant slowdown is underway in the U.S.



Source: http://www.worldgovernmentbonds.com/ (6 August 2022)

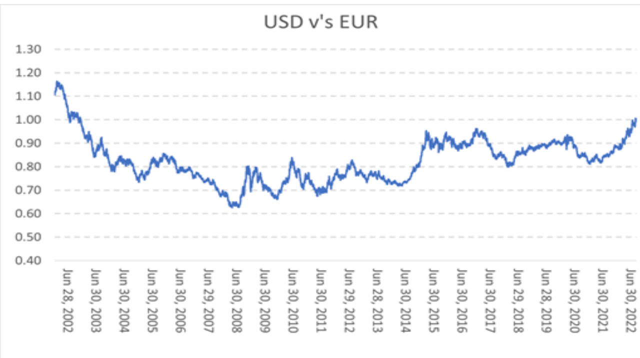
In the US, high yield credit spreads widened by 14 basis points over the month, which meant losses, but relatively small losses compared with earlier in the year. Fundamentals in the high yield market remain sound, however, valuations are less tempting. The quality of the high yield market has improved in recent years and the low interest rate environment led many issuers to extend their maturity profile. But the risks to the economic outlook could see default rates rise, something that may not be captured in current yields.

Currencies

	Currencies	31 Aug 2022 yield	1M mvt (bps)	31 May 2022 yield	3M mvt (bps)
▼	$A vs $US	68.42	-2.05	71.77	-4.67
▲	$A vs GBP	58.88	2.58	56.95	3.39
▲	$A vs YEN	95.08	2.11	92.37	2.94
▼	$A vs EUR	68.07	-0.40	66.87	1.79
▲	$A vs $NZ	111.81	0.65	110.17	1.49
▲	$A TWI	63.30	0.32	62.60	1.12
▲	$US vs EUR	99.47	1.66	93.17	6.76
▲	$US vs CNY	6.89	2.16	6.67	3.28
▲	$US vs GBP	86.04	4.72	79.35	8.43
▲	$US vs JPY	138.96	4.27	128.67	8.00
▲	$US vs CHF	97.75	2.64	95.95	1.88
▲	US Dollar Idx	108.70	2.64	101.75	6.83
▼	JPM EM Curr. Idx	50.06	-0.72	52.78	-5.17

Source: Bloomberg, IOOF

The US dollar index (DXY) ended August near 109, the highest monthly close of the index since May 2002. The USD continues to benefit on the increasing "carry" of higher interest rates and having a "healthier" economy than developed market peers. The UK and Europe have their own economic woes with Brexit and Russia's gas pipeline disruptions. Notably, the Euro is now back to levels it was when it first floated in 2002



Source: au.investing.com/currencies, 1 September 2022

The market risk off sentiment also benefits the USD as the global reserve/safe haven currency and also helps reduce the influence of potentially importing inflation.

The AUD was weak against the strong US, but the relative health of our economy and the RBAs proactive increase rate stance supported the AUD against the Pound, Yen and trade weighted partners (TWI).

Commodities

	Commodities	31 Aug 2022 yield	1M mvt (bps)	31 May 2022 yield	3M mvt (bps)
▼	Aluminium	2365	-5.53	2791	-15.27
▼	Copper	352	-1.73	431	-18.43
▼	Nickel	21337	-9.60	28421	-24.93
▲	Zinc	3529	5.26	3915	-9.87
▼	Crude Oil - Brent	96.49	-12.29	122.84	-21.45
▲	Natural Gas	9.13	10.91	8.15	12.06
▲	Metallurg. Coal	285	42.50	398	-28.39
▲	Thermal Coal	897	4.47	866	3.58
▼	Iron Ore	104.76	-2.29	133.51	-21.53
▼	Gold	1726	-3.12	1865	-7.44
▼	Silver	18	-12.10	22	-18.53

Source: Bloomberg, IOOF

Commodity prices were mixed in August. Subdued European and Chinese economic data weakness added to the downward momentum in Oil, and most metals. Developed economies inflation rates and strong US dollar also weighed on most Commodities. Coal, especially Metallurgical Coal deviated from the trend, Europe continued to evidence their reliance on Russia for commodities. Europe's embargo on Metallurgical Coal has only been in force for 3 weeks, but it helped lift the commodity off of its yearly lows as Europe buyers sourced supply elsewhere.

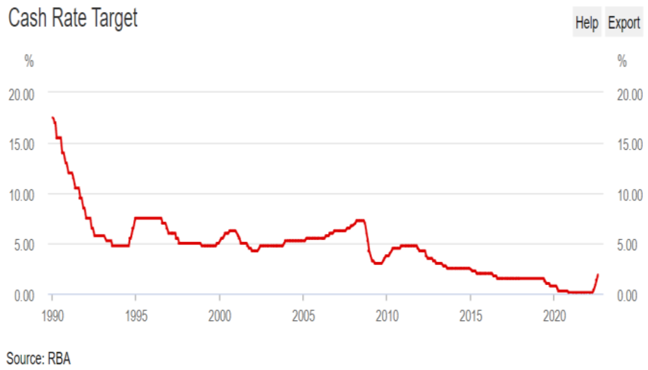
Source: argusmedia.com, 25 August 2022

Australia

In its August meeting the RBA Board increased the cash rate target by 0.50% to 1.85% The RBA has now raised rates by 1.75% over 4 months (The RBA has subsequently raised rates another 0.50% to 2.35% in September). The trade surplus beat expectations and widened to new record of $17.67 billion in June. Australia's unemployment rate decreased by -0.1% to 3.4%.

Monetary Policy

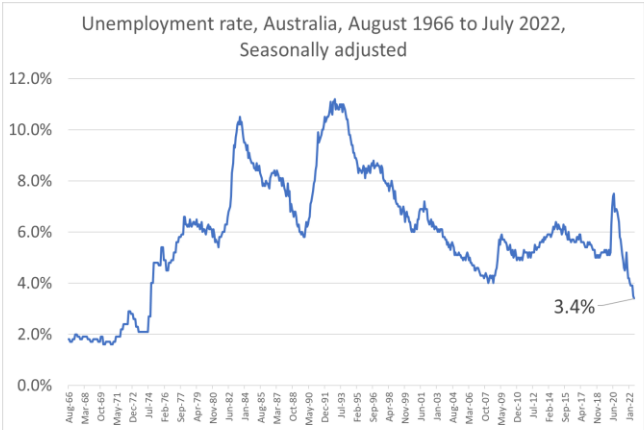
The RBA Governor's comments highlighted "the Board places a high priority on the return of inflation to the 2–3% range over time, while keeping the economy on an even keel." "… the path to achieve this balance is a narrow one and clouded in uncertainty, not least because of global developments." This is in line with the 3 objectives of Australian Monetary Policy (Reserve Bank Act 1959): *the stability of the currency, the maintenance of full employment and the economic prosperity and welfare of the people of Australia*.



Source RBA, Insignia Financial Research, 6 September 2022

Labour Market

Australia's job market continues to remain tight, as unemployment rate hit a new record low of 3.4% in July beating expectations by 0.1%. The chart below shows how long it has been since we were at these levels (1974). The small decline in unemployment was driven by the participation rate declining from 0.4% to 66.4%

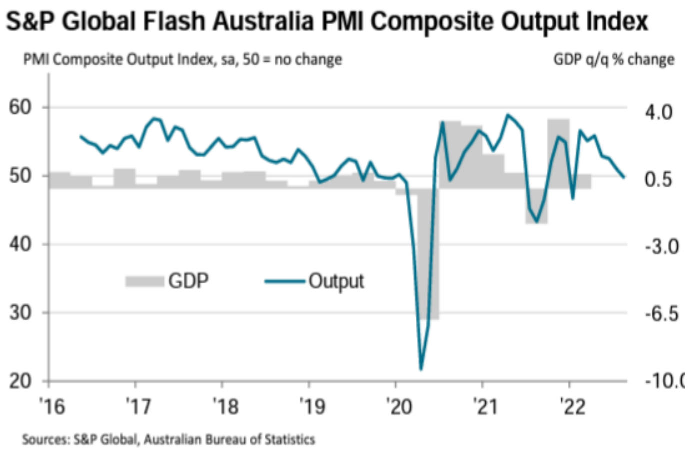


Source: www.abs.gov.au, Insignia Financial Research, 6 Sept 2022

Growth

Australia's private sector economy shrank for the first time in seven months in August, according to Flash PMI data. The S&P Global Flash Australia Composite PMI Output Index dropped from 51.1 in July (final reading) to 49.8 in August (flash reading).

The decline in Australia's private sector economy was broadly in line with declines in the manufacturing sector activity (down -1.2 to 54.5 in August) and the much larger service sector activity (down -1.3 to 49.6).



Sourced: S&P Global, accessed 6 September 2022

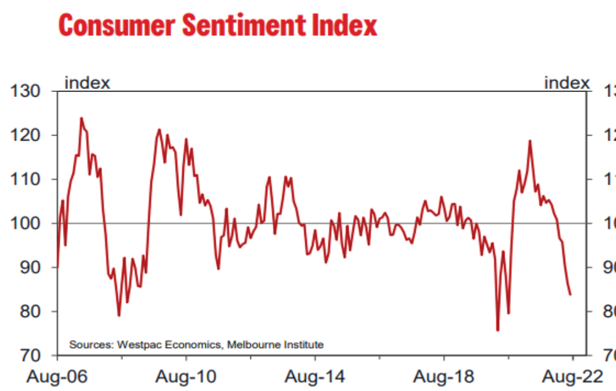
Inflation

The Consumer Inflation Expectations reduced again down from 6.3% to 5.9% in August. The Melbourne Institute Index's recently peaked at 6.7% in June. The easing expectations could reduce some flow on effects to CPI which is sitting at 20-year highs at 6.1%.

Confidence

The Westpac-Melbourne Institute Index of Consumer Sentiment for Australia dropped for the ninth month in a row to 81.2 in August 2022, this is the lowest since August 2020 and is on par with the lows of the COVID crisis and the GFC.

The major movements in the sub – indexes in the month were "12 month economic outlook" (-8%); and "time to buy a major household item" (-8.4%).



Sourced 5 September 2022

United States

The Federal Open Market Committee's overarching focus right now is to bring inflation back down to their 2% goal. Despite the US being in a technical recession, the labour market still looks solid.

Growth

Real gross domestic product (GDP) decreased at an annual rate of 0.6% in the second quarter of 2022, according to the "second" estimate released by the Bureau of Economic Analysis. In the first quarter, real GDP decreased 1.6%.

The GDP estimate released 25 August is based on more complete source data than were available for the "advance" estimate issued in July. In the advance estimate, the decrease in real GDP was 0.9%. The update primarily reflects upward revisions to consumer spending and private inventory investment that were partly offset by a downward revision to residential fixed investment.

Labour Market

US JOLTS (Job Openings and Labor Turnover Survey) data was much stronger than expected at 11.239m versus the consensus of 10.375m. The data suggests there are no signs yet of a cooling in the labour market with the inference the Fed needs to be more aggressive. Note the number of people unemployed in the US is 5.67m, suggesting even if layoffs rise, there is ample opportunity to get re-employment elsewhere. The US Conference Board Consumer Confidence data was also better than expected at 103.2 against a consensus estimate of 98.0.

The US economy added 315K payrolls in August of 2022, compared to a downwardly revised 526K in July, but above market forecasts of 300K and pointing to broad-based hiring across many sectors. The biggest job gains occurred in professional and business services (68K), namely computer systems design and related services; health care (48K), mainly offices of physicians, hospitals and nursing and residential care facilities; and retail trade (44K). Manufacturing added 22K jobs, leisure and hospitality 31K, following average monthly gains of 90K in the first 7 months of the year. August is historically a weaker month for employment, but non-farm employment is now 240K higher than its pre-pandemic level in February 2020.

Inflation

According to Trading Economics, the annual inflation rate in the US slowed more than expected to 8.5% in July 2022 from an over 40-year high of 9.1% in June, and below market forecasts of 8.7%. Energy CPI rose by 32.9%, after hitting a 42-year high of 41.6% in June, mainly due to a big slowdown in gasoline costs (44% vs 59.9%), fuel oil (75.6% vs 98.5%), and natural gas (30.5% vs 38.4%) while electricity prices accelerated (15.2%, the most since February 2006). Cost also slowed for new vehicles (10.4% vs 11.4%) and airline fares (27.7% vs 34.1%). On the other hand, inflation continued to march higher for food (10.9%, the largest increase since May of 1979, vs 10.4%); shelter (5.7% vs 5.6%); and used cars and trucks (6.6% vs 1.7%). Core inflation was steady at 5.9%, beating expectations of 6.1%, and offering some support that inflation has finally peaked.

Policy

During Chairman Powell's speech at Jackson Hole, he stated that "The Federal Open Market Committee's overarching focus right now is to bring inflation back down to our 2% goal. Price stability is the responsibility of the Federal Reserve and serves as the bedrock of the economy. Without price stability, the economy does not work for anyone. In particular, without price stability, we will not achieve a sustained period of strong labor market conditions that benefit all. The burdens of high inflation fall heaviest on those who are least able to bear them."

It is clear from Powell's speech that Fed rate rises are far from done. While the US economy is showing clear signs of an economic slowdown, the Fed has not given any indication that a pivot is on the cards and that does not bode well for the US economy is the short term. There was a clear indication that if a recession was required to keep inflation under control, then the Fed would push the economy into a recession, as this is being seen as a better option than letting inflation run rampant.

China

The Zero COVID policy continues to be a challenge for the economy, as Chinese medical experts work on a better local vaccine. Energy rationing is also being felt during the country's heatwave. Private and Government PMIs are in contraction territory and a low inflationary level of only 2.9% helps support stimulatory steps to support the economy.

PMIs

The Chinese PMIs were a tale of two surveys:

- the Caixin-Market survey is 500 mainly small private businesses. This gives the truer sentiment of factory floors not protected by the state
- The official government NBS survey has a bigger sample size of 3,000 companies, the bulk being state owned enterprises (SOEs). SOEs are careful about firing workers wary of unemployment leading to social strife.

The Caixin Manufacturing PMI declined to 49.5 in August 2022 from July's of 50.4, while the NBS Manufacturing PMI was published at a similarly contractionary level of 49.4 but for the government statistic this was an increase from 49.0. The contractionary statistic of both PMIs reflects the widespread COVID lock downs and power rationing due to the worst heatwaves in decades.

Both surveys showed new orders, export sales and employment declines. Input costs dropped amid price stabilisation measures from the government. The NBS captures a greater number of state-owned companies which may be useful in capturing the influence of Chinese stimulus in coming months. State-owned companies are often used as the conduit for stimulus in the past and SOEs tend to order from one another which should highlight any easing of financial conditions through the economy.

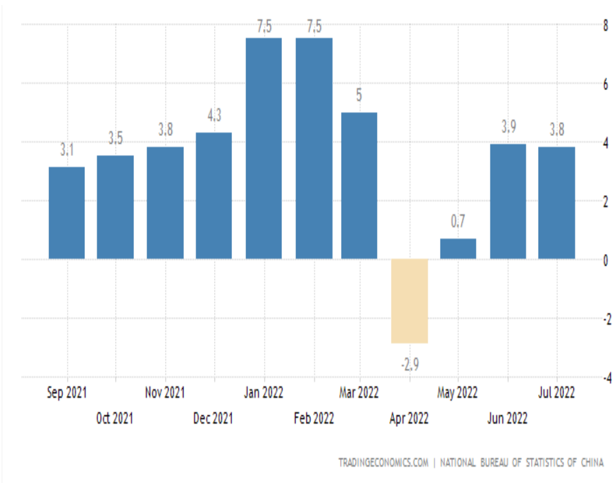
Inflation Rate

The Chinese economy continues to diverge from western economies, which are seeking, to varying levels of aggressiveness to raise rates to battle inflationary pressures. China's annual inflation rate rose to 2.7% in July 2022 up from 2.5% in June and compared with market consensus of 2.9%. Food prices rose 6.3% the most in 22 months, however non-food inflation slowed significantly to 1.9%p.a. from 2.5% in June. Housing, clothing, and healthcare all rose less than 1% p.a.

Sourced: 5 September 2022

Industrial Production

China's industrial production grew by 3.8% year-on-year in July 2022, below market consensus of 4.6% and down from a 3.9% rise in June.



Sourced: 5 September 2022

It was the third straight month of growth in industrial output, amid signs of a fragile economic recovery due to COVID-19 restrictions. Production grew softer for both manufacturing (2.7% vs 3.4% in June) and mining (8.1% vs 8.7%). Within manufacturing, production year-on-year grew in chemical raw materials and chemical products (4.7%), communication (7.3%), automobile (22.5) and electricity and heat production and supply industries (10.4%). In contrast, there were declines in production of food processing industry (-0.8%), textiles (-4.8%), and general equipment (-0.4%).

Balance of Trade

China's trade surplus unexpectedly surged to a fresh record peak of US$101.26 billion in July 2022 from US$55.89 billion in the same month a year earlier, far above market forecasts of US$90 billion, mainly boosted by stronger than expected exports.

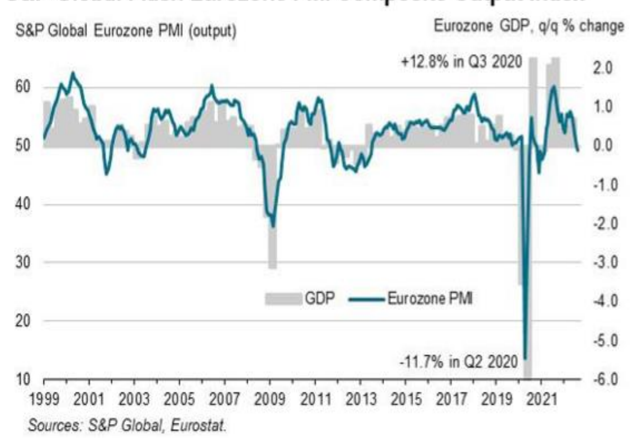
Europe

Euro area annual inflation is expected to be 9.1% in August 2022, up from 8.9% in July according to a flash estimate from Eurostat. The European Central Bank appears to be prepared to at least repeat the 0.5% increase in interest rates it delivered last month, if not more (*in early September a 0.75% p.a. increase was confirmed by the ECB*).

Growth

August saw a second successive monthly reduction in business activity across the euro area, according to early PMI survey indicators, amid a further decline in new orders. Cost of living pressures sapped demand in the service sector, leaving activity only just inside growth territory, while manufacturing remained in a downturn midway through the third quarter of the year. Although remaining elevated, there were again signs that inflationary pressures at businesses have passed their peak, with rates of increase in both input costs and output prices softening across the board. Concerns over the economic outlook meant that business confidence remained muted in August. This relatively weak sentiment, plus a sustained downturn in customer demand, meant that firms were increasingly reticent to expand staffing levels and the rate of job creation softened to the slowest in almost a year-and-a-half as a result.

S&P Global Flash Eurozone PMI Composite Output Index



Accessed: 1 September 2022.

Inflation

Euro area annual inflation is expected to be 9.1% in August 2022, up from 8.9% in July according to a flash estimate from Eurostat, the statistical office of the European Union. Looking at the main components of euro area inflation, energy is expected to have the highest annual rate in August (38.3%, compared with 39.6% in July), followed by food, alcohol & tobacco (10.6%, compared with 9.8% in July), non-energy industrial goods (5.0%, compared with 4.5% in July) and services (3.8%, compared with 3.7% in July).

Labour Market

In July 2022, the euro area seasonally adjusted unemployment rate was 6.6%, down from 6.7% in June 2022 and from 7.7% in July 2021. The EU unemployment rate was 6.0 % in July 2022, down from 6.1% in June 2022 and from 6.9% in July 2021. Eurostat estimates that 12.959 million men and women in the EU, of whom 10.983 million in the euro area (EA), were unemployed in July 2022. Compared with June 2022, the number of persons unemployed decreased by 113,000 in the EU and by 77,000 in the euro area. Compared with July 2021, unemployment has decreased by 1.854 million in the EU and by 1.576 million in the euro area.

Policy

The European Central Bank is prepared to at least repeat the 0.5% increase in interest rates it delivered last month, with an even bigger move not to be excluded as inflation nears yet another record. That's the message from ECB officials who joined the Federal Reserve's annual Jackson Hole symposium.

Policy makers are battling to stabilise prices after seeing inflation run out of control this year. But their ability to slam on the brakes is constrained by the growing risk of a recession in Europe and the fact that they have no control over the war in Ukraine and Russia's willingness to use energy supplies to disrupt the continent's economy.

After a larger-than-expected 0.5% increase at lift-off in July, a sizable minority on the 25-member Governing Council is willing to consider a 0.75% increase on September 8, with Austria's Robert Holzmann, the Netherlands' Klaas Knot and Latvia's Martins Kazaks all setting 0.5% as the minimum *(a 0.75% increase was in fact confirmed on the 8th Sep).*

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Economic Scorecard – As of 9 September 2022

The below summarises the current position of major markets across Growth, Inflation, Interest Rates and Currencies. It also provides Insignia Research's view on the likely direction of these economic indicators over the next 12 months. **Please note that these views are not guarantees, and a range of factors could impact their direction such that the end outcomes are different to our predictions.**

	USA			Australia			EuroZone			China		
	Current	**Direction**	**1 Year Forward**	**Current**	**Direction**	**1 Year forward**	**Current**	**Direction**	**1 Year Forward**	**Current**	**Direction**	**1 Year Forward**
Growth (Latest Qtr Nominal GDP)	Negative - 0.6% 2nd Est. (Technical Recession)	Flat	Below Trend/ Recession	0.90% (Above Trend)	Moderating	Below Trend (1)	0.8% 3rd Est (Above Trend)	Moderating	Below Trend / Recession (1)	0.40% (Below trend) (2)	Flat	Below / At Trend
Inflation (Headline CPI)	8.5% (Significantly Above Target)	Moderating	Above Target	6.10% (Above Target)	Moderating	Above Target	9.1% (Significantly Above Target)	Moderating	Above Target	2.5% (Below Target)	Stable / Returning to Trend	Below Target
Interest Rates (official Cash Rate or Equivalent)	2.25%-2.5%	Increasing/ Contractionary	3.65% Higher with the Fed (Stable/Decreasing)	2.35% (5)	Increasing/ Contractionary	3.1% RBA (Stable)	1.25% (3)	Increasing/ Contractionary	1.9% - ECB (Stable)	4.3% (4)	Decreasing/ Expansionary	Stable at Lower Level
		AUD/USD										
	Current	**Direction**	**1 Year Forward**									
Currencies (Relative PPP Basis)	0.675 (PPP 0.6949) Less Than 1 Stdev	Risk Off	Fair Value Range									

(1) dependant on MP tightening cycle, & FP
(2) official target is 5.5% for 2022
(3) Main Refinancing Rate
(4) 5 yr LPR

Company news - best and worst performers for August 2022

Lake Resources Nl +44.4%

Lake Resources (LKE) rebounded sharply after falling to a 52-week low in July, supported by strong market sentiment towards the lithium sector that was driven by strong global EV sales that increased +63% 1H22. LKE was supported by strong retail investor demand and the share price was driven higher from LKEs “meme stock” status.

Oz Minerals Ltd +36.2%

Oz Minerals (OZM) received a $8.3bn takeover bid from BHP, valuing the miner at $25 per share, however, was unanimously rejected by the OZM board, citing the bid undervalues OZMs brownfield project growth options. The rejection comes amid the West Musgrave nickel and copper upgrade project, which is expected to cost >$1bn to build if approved later this year, with management suggesting that the project can be funded through retained earnings.

Pilbara Minerals Ltd +31.8%

Pilbara Minerals (PLS) followed a similar trajectory as LKE and rebounded strongly after reaching a 52-week low in July following strong retail investor demand for lithium-related stocks. PLS FY22 results revealed a maiden full-year profit of $561.8m, a turnaround from its -$51.4m FY21 loss, supported by a revenue increase of +577% to $1.2bn. PLS shipped 361,035 tonnes of spodumene concentrated, up from 281,440 tonnes, and received an average of US$2,382 per tonne, up from US$410 per tonne.

City Chic Collective Ltd +29.1%

City Chic (CCX) retraced FY21 gains as low investor sentiment towards ecommerce saw the retailers share price fall. FY22 results show total revenue increased +25.5% to $369.2m, with gross trading margin increase +59.9% to $221.2m, and underlying EBITDA increasing +12.8% to $47.1m. CCX continues to pursue its international growth strategy with investments in ecommerce capability in North America and EMEA.

Megaport Ltd -25.1%

Megaport (MP1) suffered alongside high growth tech stocks as technology companies with no earnings were punished heavily in August. MP1 released strong FY22 results, with MMR increasing +43% to $10.7m, customers increasing +16% to 2,643, services increasing +26% to 27,383, and ports increasing +24% to 9,545. MP1 shows strong growth in all regions and revealed that the group was EBITDA positive on an annualised MMR basis for the first time. Despite the strong growth, management highlighted that the next phase of growth will be from services rather than DC rollout.

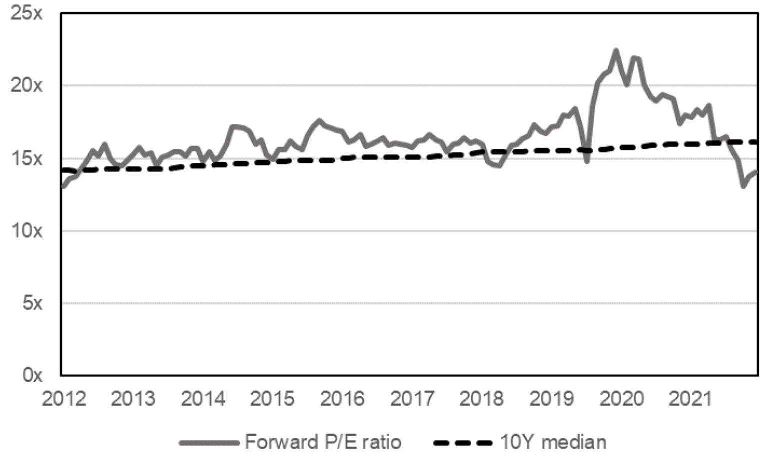
Ramelius Resources Ltd -25.0%

Ramelius Resources (RMS) was impacted by Evolution Mining’s earnings downgrade as investors indiscriminately sold off gold miners in the expectation that labour shortages and cost pressures were widespread across the board. RMS recorded +15% increased ore mined to 4,541kt, mineralisation grade increasing +3% to 2.14g/t, however, saw production decline -5% to 258,625 and AISC increase +16% to A$1,523.

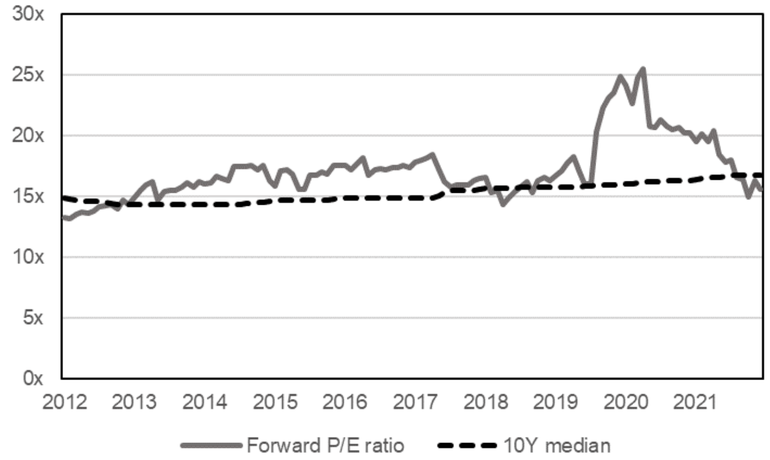
Sources: ASX company announcements, Bloomberg, Factset, Fund manager disclosures, Australian Financial Review, Sydney Morning Herald

Market valuations (Forward P/E vs 10Y median Forward P/E

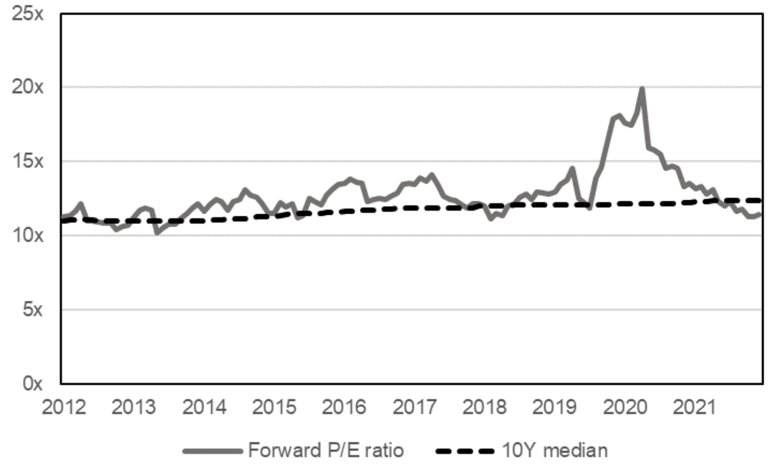
Australian Shares Forward P/E – spot vs trailing 10Y median (August-12 to August-22)



Global Shares Forward P/E – spot vs trailing 10Y median (August-12 to August-22)



Emerging Market Shares Forward P/E – spot vs trailing 10Y median (August-12 to August-22)



Sources: Bloomberg, MSCI, S&P (August 2022)

Indices (top to bottom): Australian Shares: S&P/ASX 200 Index; Global Shares: MSCI World ex Australia Index; Emerging Markets Shares: MSCI Emerging Markets index.

Asset class performance to 31 August 2022 (Total returns in AUD)

				Annualised						
Asset class	**1-mth**	**3-mth**	**6-mth**	**1-yr**	**3-yr**	**5-yr**	**7-yr**	**10-yr**	**15-yr**	**20-yr**
Australia	1.2%	-2.4%	0.7%	-3.4%	5.5%	8.1%	8.5%	9.3%	5.1%	8.6%
Australia - mid cap	4.2%	2.0%	3.8%	-0.6%	11.4%	11.1%	12.8%	13.5%	6.2%	10.5%
Australia - small cap	0.6%	-2.6%	-6.1%	-14.7%	4.1%	6.9%	8.9%	6.3%	1.5%	6.6%
Australia - micro cap	1.7%	-5.4%	-7.5%	-2.3%	16.1%	13.8%	14.5%	6.9%	2.8%	-
World ex Australia	-2.5%	-1.1%	-5.9%	-9.6%	8.2%	11.1%	9.4%	14.2%	6.8%	6.8%
World ex Australia (Hedged)	-3.6%	-4.3%	-9.1%	-12.8%	8.1%	7.8%	9.1%	11.3%	7.1%	9.2%
World - small cap	-1.5%	-0.4%	-6.7%	-13.7%	6.4%	8.6%	8.0%	13.6%	7.3%	8.5%
Emerging Markets	2.2%	-2.1%	-8.2%	-16.6%	2.1%	3.6%	5.8%	7.2%	3.0%	7.6%
A-REITS	-3.5%	-3.2%	-10.0%	-11.1%	-1.5%	5.8%	6.4%	9.4%	1.8%	5.9%
Global REITs	-4.8%	-3.5%	-7.8%	-11.4%	-2.1%	4.8%	4.1%	8.8%	3.4%	-
Global REITs (hedged)	-5.7%	-6.4%	-10.3%	-13.8%	-1.8%	2.0%	3.9%	6.4%	3.2%	-
Global infrastructure	0.2%	1.2%	8.4%	9.2%	4.2%	8.6%	8.3%	12.6%	6.5%	-
Global infrastructure (Hedged)	-1.0%	-1.6%	4.7%	5.1%	4.4%	5.9%	8.1%	10.1%	8.5%	-
Trend following (USD)	1.4%	-0.4%	9.1%	8.2%	3.7%	4.1%	1.3%	3.3%	4.0%	5.1%
Australia Total Market	-2.5%	-0.8%	-6.7%	-11.5%	-3.1%	1.0%	1.5%	2.6%	4.4%	4.6%
Australia government bonds	-2.8%	-0.8%	-7.1%	-12.1%	-3.5%	0.9%	1.4%	2.4%	4.3%	4.5%
Australia corporate bonds	-1.4%	-0.4%	-5.3%	-9.0%	-1.4%	1.7%	2.3%	3.4%	4.9%	5.1%
Australia floating rate bonds	0.4%	0.6%	0.2%	0.1%	1.0%	1.7%	2.1%	2.7%	3.6%	4.2%
Global Total Market (Hedged)	-2.7%	-1.9%	-7.0%	-10.5%	-2.7%	0.5%	1.7%	2.9%	5.0%	5.5%
Global government bonds (Hedged)	-2.6%	-1.7%	-6.6%	-9.8%	-2.8%	0.5%	1.7%	2.9%	5.0%	5.4%
Global corporate bonds (Hedged)	-3.2%	-2.9%	-9.1%	-14.3%	-2.9%	0.4%	2.2%	3.3%	5.4%	5.9%
Global high yield bonds (Hedged)	-1.2%	-4.5%	-9.0%	-14.3%	-1.8%	0.2%	3.2%	4.6%	7.0%	9.1%
Emerging Market bonds (Hedged)	-1.4%	-5.3%	-12.0%	-22.3%	-6.5%	-2.4%	1.2%	2.1%	5.5%	8.0%
Bloomberg AusBond Bank Bill Index	0.2%	0.3%	0.4%	0.4%	0.4%	0.9%	1.2%	1.7%	2.8%	3.5%

Sources: Bloomberg, IOOF calculations
* AUD total returns as at August-22 assuming reinvestment of dividends unless otherwise specified.
** Returns reflect index performance excluding any fees; Actual ETF/managed fund performance will vary due to both fees and tracking error.

Appendix – Index sources

Asset class	Index
Australian equities (S&P/ASX 200)	S&P/ASX 200 Accumulation Index
Australian equities - Mid caps	S&P/ASX Accumulation Midcap 50 Index
Australian equities - Small caps	S&P/ASX Accumulation Small Cap Ordinaries Index
Australian equities - Micro caps	S&P/ASX Emerging Companies Total Return Index
International equities	MSCI World ex Australia Net Total Return (in AUD)
International equities (Hedged)	MSCI World ex Australia Hedged AUD Net Total Return Index
International equities - Small caps	MSCI World Small Cap Net Total Return USD Index (in AUD)
Emerging Markets equities	MSCI Emerging Markets EM Net Total Return AUD Index
Australian REITs	S&P/ASX 200 A-REIT Accumulation Index
Global REITs	FTSE EPRA/NAREIT Developed Index Net Total Return (in AUD)
Global REITs (Hedged)	FTSE EPRA/NAREIT Developed Index Net Total Return (Hedged to AUD)
Global Infrastructure	FTSE Global Core Infrastructure 50/50 Net Total Return in AUD
Global Infrastructure (Hedged)	FTSE Global Core Infrastructure 50/50 100% Hedged to AUD Net Tax Index
Trend following	SGI Cross Asset Trend Following Index (USD)
Australian bonds	Bloomberg AusBond Composite 0+ Yr Index
Australian bonds – government	Bloomberg AusBond Govt 0+ Yr Index
Australian bonds – corporate	Bloomberg AusBond Credit 0+ Yr Index
Australian bonds - floating rate	Bloomberg AusBond Credit FRN 0+ Yr Index
Global bonds (Hedged)	Bloomberg Barclays Global Aggregate Total Return Index Value Hedged AUD
Global bonds - government (Hedged)	Bloomberg Barclays Global Aggregate Treasuries Total Return Index Hedged AUD
Global bonds - corporate (Hedged)	Bloomberg Barclays Global Aggregate Corporate Total Return Index Hedged AUD
Global bonds - High Yield (Hedged)	Bloomberg Barclays Global High Yield Total Return Index Hedged AUD
Emerging Market bonds (Hedged)	J.P. Morgan EMBI Global Core Hedged Index Level AUD
Cash (AUD)	Bloomberg AusBond Bank Bill Index

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