Monthly Economic Wrap

November 2022

Summary

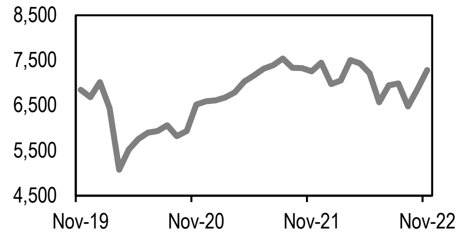
Economic

- Interest rate hikes continues to take place, with Central Banks continuing their march higher. The Reserve Bank of Australia raised interest rates by another 0.25% in early December and the US Federal Reserve is expected to again hike rates when they meet in mid-December.
- Inflation remains significantly elevated, but the annual headline inflation rate in the US slowed for the fourth month running to 7.7%, which was below the consensus market forecast of 8.0%. Even US core inflation, which excludes food and energy declined slightly in the most recent publication to be at 6.3% year-on-year, down from September's 40-year high of 6.6%. These latest results are making people hopeful that inflation has now peaked in the US.
- Most forward-looking economic indicators continue to point to a recession across most of the developed world. As stated in previous months, unemployment remains completely at odds with this scenario, as Australian, US and European unemployment figures all remain at or near record lows.

Markets

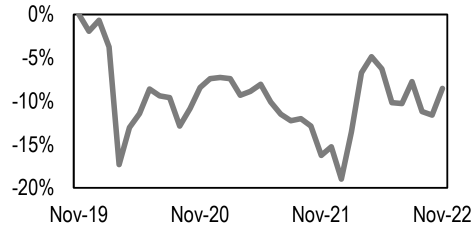
- The S&P 500 had another good month in November, up around 5.4% after gaining around 8% in October. In Australia, the S&P 200 rose again by around 6% for the second month in a row. In Australia, Value and Momentum were the best performing styles for the month, while globally, Equal-Weight and Quality were the best performers.
- November was a good month for Fixed income markets. Australian bonds as measured by the Bloomberg AusBond Composite 0+ Years Index gained 1.5%, while Global Bonds as measured by the Bloomberg Barclays Global Aggregate Total Return Index Hedged into AUD returned 2.4%. Credit markets also had a very favourable month in November, with Investment-Grade returning 4.1%, while High Yield returned 4.0%.

1. S&P/ASX 200 Price Index



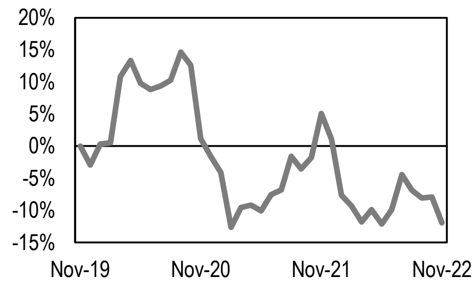
Source: Bloomberg, IOOF

2. ASX200 vs All-World, US$ terms



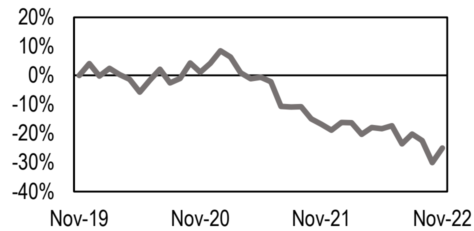
Source: Bloomberg, IOOF

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 – November 2022

ASX/S&P 200 Sectors (GICS)				
	Monthly	**% Δ**	**Quarterly**	**% Δ**
▲	Consumer Discretionary	2.76	Consumer Discretionary	1.50
▲	Consumer Staples	3.78	Consumer Staples	-2.43
▲	Energy	2.60	Energy	4.62
▲	Financials ex Property	1.14	Financials ex Property	5.92
▲	Financials	1.14	Financials	5.92
▲	Health Care	5.97	Health Care	1.19
▲	Industrials	5.81	Industrials	0.98
▲	IT	2.87	IT	-3.16
▲	Materials	16.23	Materials	9.29
▲	Property Trusts	5.77	Property Trusts	0.27
▲	Telecommunications	2.12	Telecommunications	0.12
▲	Utilities	20.85	Utilities	10.31

Source: Bloomberg, IOOF

Best and Worst S&P/ASX 200 Performers			
Top five stocks		**Bottom five stocks**	
Monthly			
Sandfire Resources Ltd	+45.2%	Elders Ltd	-20.6%
Origin Energy Ltd	+41.1%	Collins Foods Ltd	-18.6%
Champion Iron Ltd	+35.9%	Novonix Ltd	-16.4%
Nickel Industries Ltd	+33.6%	Healius Ltd	-15.2%
Fortescue Metals Group Ltd	+31.8%	James Hardie Industries-Cdi	-14.1%
Quarterly			
Perseus Mining Ltd	+41.6%	Lendlease Group	-25.9%
Gold Road Resources Ltd	+37.3%	Magellan Financial Group Ltd	-24.8%
Mineral Resources Ltd	+36.7%	Brainchip Holdings Ltd	-22.8%
Northern Star Resources Ltd	+34.5%	Collins Foods Ltd	-22.2%
De Grey Mining Ltd	+31.6%	Adbri Ltd	-22.2%

Source: Bloomberg, IOOF

Share Markets, Returns

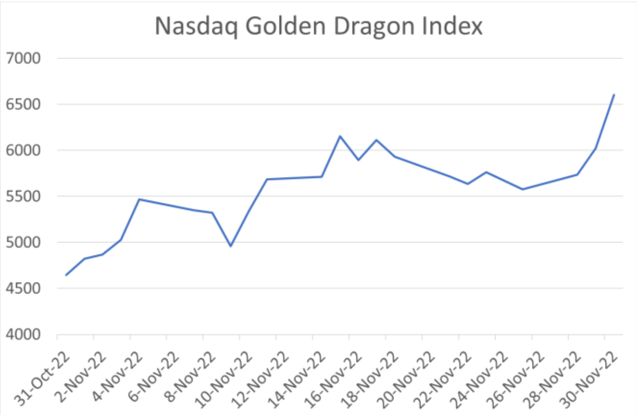
	Australian Indices	30 Nov 2022 Price	1M return (%)	31 Aug 2022 Price	3M return (%)
▲	S&P/ASX 200	7284	6.13	6987	4.26
▲	All Ordinaries	7481	6.04	7226	3.52
▲	Small Ordinaries	2914	4.80	2965	-1.72
	US Indices				
▲	S&P 500	4080	5.38	3955	3.16
▲	Dow Jones	34590	5.67	31510	9.77
▲	Nasdaq	11468	4.37	11816	-2.95
	Asia Pacific Indices				
▲	Hang Seng	18597	26.62	19954	-6.80
▲	Nikkei 225	27969	1.38	28092	-0.44
	UK & Europe Indices				
▲	FTSE 100	7573	6.74	7284	3.97
▲	CAC40	6739	7.53	6125	10.02
▲	DAX Index	14397	8.63	12835	12.17

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

Global equity markets enjoyed a solid rebound in November. Chinese equity markets were the standout. As mentioned last month, Chinese equities were sold down aggressively following the announcement of Xi Jinping's 3rd term and his leadership team.



Source: ycharts.com; 6/12/2022

The Hang Seng and the Nasdaq Golden Dragon (Chinese companies listed in the US) Indices have both recovered significantly from their late October lows. Investors initially saw attractive valuations available from the over-reaction sell down. The beginning of November saw substantial protests against the strict COVID lock downs that have seen Chinese authorities now take some steps to ease restrictions. The potential for a move towards "co-existing with COVID" was seen very positively, with the Chinese Golden Dragon Index up +42% in November.

Returns to 30 November 2022	1-mth	3-mth	6-mth	1-yr
MSCI World Index	2.1%	6.4%	5.2%	-5.6%
Value	2.2%	10.0%	6.5%	8.1%
Value-Weighted	2.9%	8.6%	5.2%	5.1%
Momentum	0.4%	9.6%	8.1%	-9.5%
Growth	1.6%	2.4%	3.8%	-18.6%
Quality	3.2%	7.0%	5.6%	-10.6%
Low volatility	2.0%	6.6%	5.7%	2.7%
Equal weight	6.5%	4.9%	4.8%	5.0%
Small caps	1.2%	5.1%	4.7%	-7.7%

Source: Bloomberg, IOOF, MSCI

Australian equity markets

The Australian market, as measured by the S&P/ASX 200 Index was up 6.1% for the month. The MSCI Australian Index, which is slightly more biased to large cap stocks delivered 7.1%

Returns to 30 November 2022	1-mth	3-mth	6-mth	1-yr
MSCI Australia Index	7.1%	6.9%	3.8%	7.7%
Value	9.6%	11.3%	5.0%	19.9%
Value-Weighted	6.9%	8.0%	3.1%	13.8%
Momentum	9.1%	8.2%	4.6%	6.1%
Growth	1.6%	2.5%	3.9%	-18.7%
Quality	3.6%	7.2%	5.1%	-12.1%
Low volatility	6.5%	3.5%	0.2%	0.6%
Equal weight	6.5%	4.9%	4.8%	5.0%
Small caps	4.9%	-0.8%	-3.4%	-14.0%

Source: Bloomberg, IOOF, MSCI

Australia experienced good breadth in the November rebound. Although, as can be seen in the table above, the dispersion of the style returns was very large, with Value substantially stronger than Growth (8.0%). With Value's persistent outperformance over 2022, we also see Momentum benefiting from Value's strength, especially over the last 6 months.

Quality is an interesting category, also lagging during the month and the year. While "quality" is a desired characteristic for many investors, starting valuations at the beginning of the year were very stretched.

Fixed Income

	Fixed Income	30 Nov 2022 yield	1M mvt (bps)	31 Aug 2022 yield	3M mvt (bps)
▲	Australian Cash rate	2.85	0.25	1.85	1.00
▼	10-year Bond Yield	3.53	-0.23	3.60	-0.07
▼	3-year Bond Yield	3.17	-0.13	3.21	-0.04
▼	90 Day Bank Accepted Bills SFE-Day	3.05	-0.04	2.47	0.58
▼	US 10-year Bond Yield	3.61	-0.44	3.19	0.41
▼	US 3-year Bond Yield	4.05	-0.39	3.51	0.53
▼	US Investment Grade spread	1.95	-0.21	2.07	-0.12
▼	US High Yield spread	5.03	-0.07	5.22	-0.19

Source: Bloomberg, IOOF

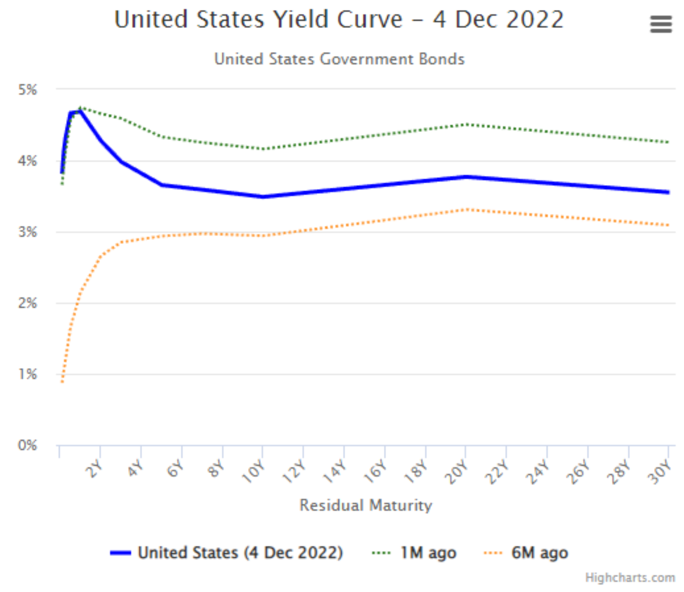
Australian bond market

For the second month running, Australian Fixed Interest funds produced favourable returns. After an extremely poor first half of the year, the main Australian Fixed Interest index, the Bloomberg AusBond Composite 0+ Years Index gained 1.5% during November. Australian yields fell across the curve, which makes existing bonds on issue more attractive relative to newly issued bonds. During November, the Australian 10-year bond yield fell by 0.23% and the Australian 3-year bond yield fell by 0.13%.

Australian corporate bonds rose in value in November, with the Bloomberg AusBond Credit 0+ Years Index gaining 1.4% for the month. Note this index has approximately 3.5 years of duration. This means that for November, approximately half the return was from falling yields and half the return was from tightening credit spreads.

US bond market

U.S. Government bond yields did a major about face during November. As can be seen in the chart below, over the last month, the yield curve fell substantially across the board, with the exception of the very short end. This resulted in positive returns for November for U.S. fixed interest investors. Note the broader Bloomberg Barclays Global Aggregate Total Return Index (Hedged AUD) produced a great return for the month (2.4%). Note the 2-year / 10-year part of the curve still remains inverted, which is no surprise given the number of U.S. economic indicators continuing to show a U.S. recession is highly likely.



Source: http://www.worldgovernmentbonds.com, accessed 5 December 2022.

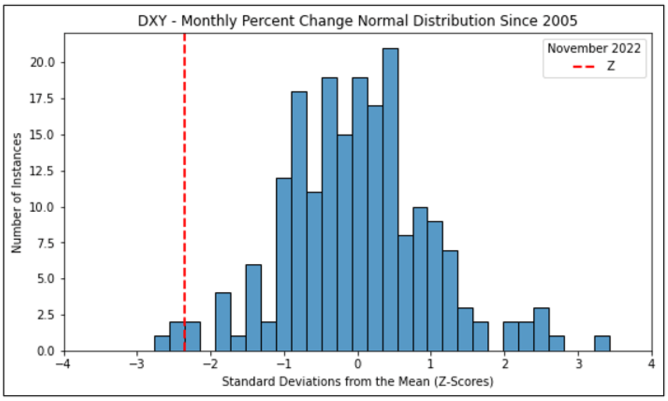
Looking at credit markets, US Investment-Grade spreads tightened by 21 basis points over November, which resulted in favourable returns for investors. As far as high yield went, spreads tightened by a relatively small 7 basis points. Interestingly, as economists and yield curve indicators warn about a potential downturn in 2023, the signs of any kind of credit panic remain conspicuously absent from primary issuance markets and corporate spreads.

Currencies

	Currencies	30 Nov 2022 yield	1M mvt (bps)	31 Aug 2022 yield	3M mvt (bps)
▲	$A vs $US	67.88	6.08	68.42	-0.79
▲	$A vs GBP	56.29	0.82	58.88	-4.39
▼	$A vs YEN	93.72	-1.51	95.08	-1.43
▲	$A vs EUR	65.22	0.74	68.07	-4.19
▼	$A vs $NZ	107.80	-2.04	111.81	-3.59
▲	$A TWI	62.10	1.31	63.30	-1.90
▼	$US vs EUR	96.09	-5.05	99.47	-3.40
▼	$US vs CNY	7.09	-2.91	6.89	2.93
▼	$US vs GBP	82.93	-4.89	86.04	-3.61
▼	$US vs JPY	138.07	-7.15	138.96	-0.64
▼	$US vs CHF	94.57	-5.55	97.75	-3.25
▼	US Dollar Index	105.95	-5.00	108.70	-2.53
▲	JPM EM Curr Idx	50.29	3.02	50.06	0.47

Source: Bloomberg, IOOF

November saw the DXY US Dollar Index decline by 5% in the worst monthly performance since September 2010. If you were to compare that to average moves since 2005, November 2022 was about -2.35 standard deviations from the mean, refer to the chart below.



Source: Bloomberg, IOOF, accessed 9/12/2022

While the DXY, the USD relative to a basket of trading partner currencies was off by 5%, the current level of around 106 points is still incredibly strong. To put this into perspective, prior to mid-2022, you need to go all the way back to 2002 to see this level of USD strength.

Commodities

	Commodities	30 Nov 2022 yield	1M mvt (bps)	31 Aug 2022 yield	3M mvt (bps)
▲	Aluminium	2455	10.29	2362	3.94
▲	Copper	374	11.33	352	6.28
▲	Nickel	26880	23.57	21437	25.39
▲	Zinc	3049	12.28	3442	-11.43
▼	Crude Oil - Brent	85.43	-9.91	96.49	-11.46
▲	Natural Gas	6.93	9.05	9.13	-24.07
▼	Metallurgical Coal	268	-14.92	285	-5.96
▲	Iron Ore	93.25	0.89	104.76	-10.99
▲	Gold	1760	6.34	1739	1.21
▲	Silver	22	12.88	18	20.76

Source: Bloomberg, IOOF

Commodities, as measured by the S&P GSCI Index recorded negative performance in November, with price gains in industrial metals and precious metals failing to offset weaker prices for energy and agriculture. Energy was the worst-performing component of the index. In agriculture, prices for wheat, Kansas wheat and corn were all lower, while cotton, sugar and cocoa all achieved robust price growth. In industrial metals, all sectors achieved growth, with nickel achieving the strongest price rise. In precious metals, silver prices rose significantly in November, while the price gain for gold was much more muted.

On 2nd December, it was announced that European Union countries had agreed to put a cap on the price of Russian oil of $60 per barrel, bringing an end to days of arguments over how hard to hit Vladimir Putin's fossil fuel revenues. According to European Union diplomats, a deal was struck after Poland, which had been holding out for a harsher cap, came on board. Under the agreement, countries will ban their insurance and shipping firms from facilitating Russian oil shipments to third countries if they are sold above the capped price.

Australia

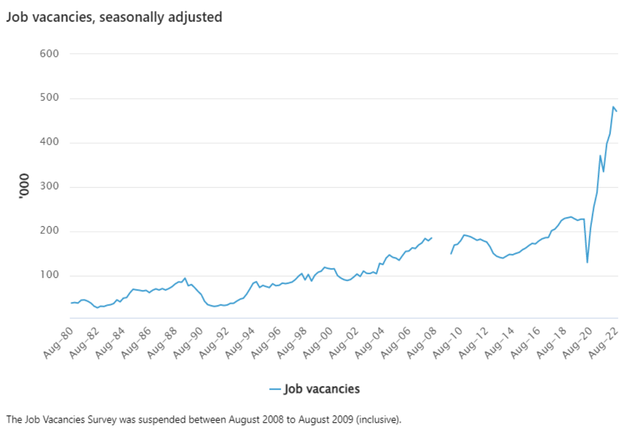
Australian PMIs continue to contract, and the new ABS Monthly CPI Indicator showed an easing from September to October. However, the tight labour force and high inflation continue to create tension, as the RBA endeavours to balance economic pressures. The RBA Board increased the cash rate target by 0.25% to 3.1% on 6 December, which is now an accumulated increase of 3% since May.

Monetary Policy

The RBA increased the cash rate target by 0.25% to 3.1% on 6 December, which now has lifted rates by 3% since May, taking borrowing cost to levels last seen in November 2012. The accumulative rate hike is also the sharpest annual tightening since 1989, which led to the "recession we had to have" (Paul Keating).

Labour Market

Australia's job market continues to remain tight, as the unemployment rate unexpectedly edged down to 3.4% in October from 3.5% in September, while markets expected a slight rise to 3.6%. Unemployed persons declined to 477.6 thousand in October from 499.4 thousand in September. This is a concern, as estimated Job Vacancies have been rising since June 2020 when there were only 129.2 thousand vacancies and now at the September quarter, we have 470.9 thousand.

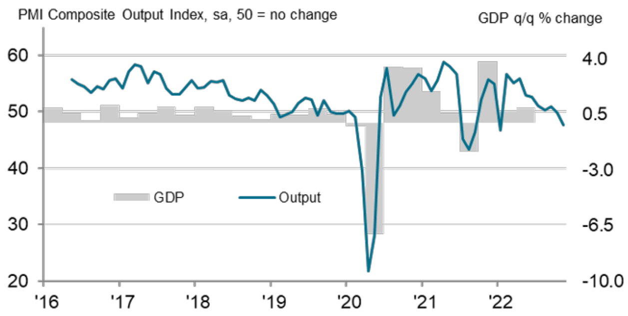


Sourced: abs.gov.au, accessed 9/12/2022

Growth

Australian private sector output contracted for a second straight month in November according to the latest Flash PMI data. Output fell in tandem with new orders, while the level of work outstanding declined marginally from the month prior. Employment levels nevertheless remained in growth as prices rose. Overall, optimism eased to a 31-month low. The S&P Global Australia Composite Purchasing Managers Index (PMI) fell to 47.7 in November from 49.8 in October.

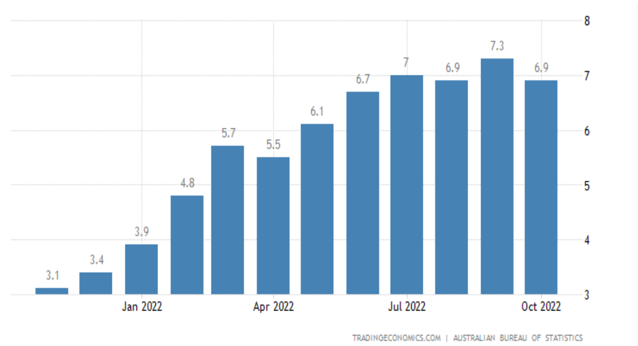
S&P Global Flash Australia PMI Composite Output Index



Sourced: S&P Global, accessed 24/11/2022

Inflation

On 26 October 2022, the Australian Bureau of statistics began publishing a monthly CPI indicator (back tested data is available on abs.gov.com.au). The first indicator was published alongside the release of the September quarterly CPI. Each month includes updated prices for between 62% and 73% of the weight of the quarterly basket and as a result is only an indicator of monthly inflation. The Monthly CPI indicator was 6.9% for the year to October, slowing from September's record high of 7.3%. The CPI Indicator increased by 0.2% in October down from the strong increase of 0.6% in September. The cost of food and non-alcoholic beverages increased at a slower rate (8.9% vs 9.6%), led by fruit & vegetables, and meat & seafoods. Meanwhile, inflation picked up for both housing (10.5% vs 10.3%), with rent prices rising to a fresh peak and transport (7.4% vs 6.8%), due to a rise in the excise tax. The monthly CPI indicator excluding volatile items of fruit, vegetables, and fuel, eased to 6.4% p.a. in October from 6.8% p.a. in September.



Sourced: 2/12/2022

United States

Federal Reserve Chairman Jerome Powell confirmed that smaller interest rate increases are likely. Annual headline inflation has now dropped for the fourth month is a row, but remains highly elevated.

Growth

According to the Conference Board, the economic outlook for the United States for 2023 has deteriorated under the weight of high inflation rates and rapid monetary tightening. Falling consumer and business confidence, softening consumption and investment, and geopolitics-induced energy shocks are likely to tip the economy into recession around the turn of the year. However, the recession is projected to be short and mild, amid a strong labour market, combined with relatively heathy consumer and business balance sheets.

Beyond 2024, the US economy is likely to return to its slowing trend growth rate trajectory. Key risks around the longer-term US outlook are related to geopolitical frictions, environmental challenges, labour markets, and inflation.

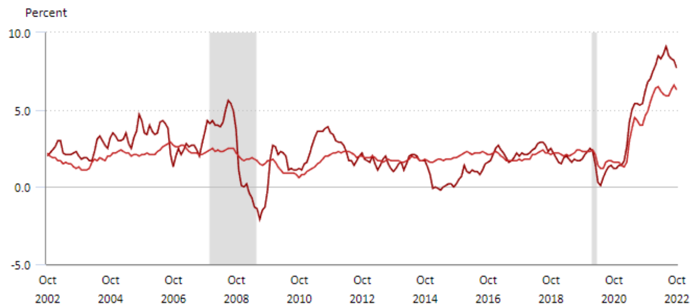
Labour Market

In the latest US JOLTS (Job Openings and Labor Turnover Survey) data, the number of job openings in the United States dropped by 353,000 to 10.3 million in October of 2022, roughly in line with market expectations, and suggesting demand for workers started moderating amid a softer economic outlook and higher interest rates. Job openings decreased in state and local government, excluding education (-101,000); non-durable goods manufacturing (-95,000); and the federal government (-61,000). The number of job openings increased in other services (+76,000) and in finance and insurance (+70,000). Over the month the number of hires and total separations changed little at 6.0 million and 5.7 million, respectively.

Inflation

According to Trading Economics, the annual inflation rate in the US slowed for a 4th month to 7.7% in October, the lowest since January, and below forecasts of 8%. It compares with 8.2% in September. Energy cost increased 17.6%, below the 19.8% in September, due to gasoline (17.5% vs 18.2%) and electricity (14.1% vs 15.5%). A slowdown was also seen in food (10.9% vs 11.2%) and used cars and trucks (2% vs 7.2%). On the other hand, prices for shelter (6.9% vs 6.6%) and fuel oil (68.5% vs 58.1%) increased faster. Compared to the previous month, the CPI rose 0.4%, below expectations of 0.6%. Shelter contributed over half of the increase (0.8%) and gasoline rose 4%, after falling in the previous 3 months. At the same time, the cost of medical care services (-0.6%) and commodities (0%) pushed the CPI down. Still, figures continue to point to strong inflationary pressures and a broad price increase across the economy, mainly in the services sector, while prices of goods have benefited from some improvements in supply chains.

Headline and Core Inflation



Source: U.S. Bureau of Labor Statistics, accessed 5/12/2022

Policy

The Federal Reserve's target range for the federal funds currently sits at 3.75%-4% as of early November. In a recent speech, Federal Reserve Chairman Jerome Powell confirmed that smaller interest rate increases are likely ahead even as he sees progress in the fight against inflation as largely inadequate. Echoing recent statements from other central bank officials and comments at the November Fed meeting, Powell said he sees the central bank in position to reduce the size of rate hikes as soon as next month.

But he cautioned that monetary policy is likely to stay restrictive for some time until real signs of progress emerge on inflation.

"Despite some promising developments, we have a long way to go in restoring price stability," Powell said in remarks delivered at the Brookings Institution.

The chairman noted that policy moves such as interest rate increases, and the reduction of the Fed's bond holdings generally take time to make their way through the system.

China

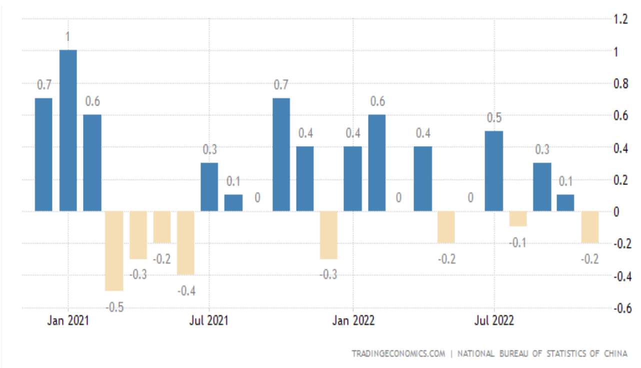
China has begun to move away from its strict Zero-COVID Policy, opening up much of the country. The People's Bank of China (PBoC) has confirmed a property rescue plan and Chinese banks have already pledged billions in credit support to help struggling developers. Government stimulus is timely as the Chinese economy contracts in both Manufacturing and Services.

It is still in the early in the process of re-opening, but China has taken significant steps in changing their approach to managing COVID. The move away from Zero-COVID policy has already seen a number of freedoms provided across major cities. However, only 69% of Chinese people over the age of 60 have had their booster shots, indicating that there is a lot of work to be done.

Inflation

China's annual inflation has dropped substantially from its recent high of 2.8% p.a. in September. October came in at 2.1%, while November's data came in at 1.6%, the lowest level in 7 months. Monthly inflation data (-0.2% in November) highlights the current weakness and the challenge of the stop/start zero-COVID curbs. November is the 4th month to show a negative inflation number this year.

Chinese inflation month on month to November

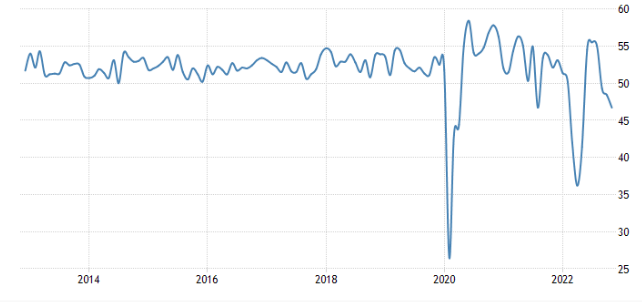


Accessed 7/12/2022

Growth

The Chinese Caixin and NBS manufacturing PMIs continue to be in contraction territory. The Caixin Services PMI dropped for the 4th month in November and has now been contractionary for 3 months to November, while the NBS Non-manufacturing PMI dropped for the 5th month and has been contractionary for 2 months. Anti-COVID containment measures were seen as having the biggest influence on demand and operations.

Caixin China Services PMI to November 2022.



Sourced: Trading Economics; 7/12/2022

China's industrial production dropped to 5.0% p.a. in October, coming in below market consensus of 5.2% growth and September's reading of 6.3%. The decrease highlights the recovery in the Chinese economy was losing momentum amid strict COVID curbs, as well as property sector weakness. Production also fell during the month for textiles (-4.2%) and metal products (-3.1%).

Exports from China plunged 8.7% p.a. in November to US$296.1 billion, worse than market consensus of a 3.5% drop and following a 0.3% fall a month earlier. This was the second straight month of decline in shipments, and the steepest fall since February 2020, amid weakening global demand due to high inflation and aggressive monetary tightening by major economies and production disruptions. Exports to the US slumped 25.43%, the fourth straight month of contraction, while shipments to the EU fell 10.62%.

China's Exports (US$ Bn) 12 months to November.

Accessed 7/12/2022

Labour Market

China's surveyed urban unemployment rate was 5.5% for October, unchanged from the previous month, as the countries labour market remained generally stable.

Europe

Business activity falls across the eurozone for a fifth month running. Headline inflation while declining, remains very elevated. Euro Area unemployment hits a record low.

Growth

November saw business activity fall across the eurozone for a fifth month running, according to flash PMI data. Although the rate of decline remained the second strongest since 2013, excluding the COVID-19 lockdown months, the intensity of the downturn moderated in response to a reduced rate of loss of new business, fewer supply constraints and a pick-up in business confidence about the year ahead. Business sentiment nevertheless remained gloomy by historical standards, and demand continued to fall at a steep rate, leading to a pull-back in employment growth. One upside of the weaker demand picture and alleviation of supply constraints was a cooling of price pressures, most notably in the manufacturing sector. Firms' costs rose at the slowest rate for 14 months, in turn allowing selling price inflation to moderate, albeit with rates of inflation remaining elevated.

S&P Global Flash Eurozone PMI Composite Output Index

Accessed: 5/12/2022

Inflation

Euro area annual inflation is expected to be 10.0% in November 2022, down from 10.6% in October 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 November (34.9%, compared with 41.5% in October), followed by food, alcohol & tobacco (13.6%, compared with 13.1% in October), non-energy industrial goods (6.1%, stable compared with October) and services (4.2%, compared with 4.3% in October).

Labour Market

According to Eurostat, the unemployment rate in the Euro Area fell to a new record low of 6.5% in October of 2022, down from 6.6% in the prior month, slightly below the market estimate of 6.6%. It compares with a much higher jobless rate of 7.3% in the corresponding period of 2021, as economic stimulus and growth-oriented policy supported the labour market's recovery from the pandemic. There were 10.872 million unemployed persons in October, 142,000 less than in the previous month. In the meantime, youth unemployment fell by 25,000 to 2.326 million, pushing slightly down the rate to 15% from 15.2%. Among the largest economies, the unemployment rate fell in Spain (12.5% vs 12.7% in September) and Italy (7.8% vs 7.9%), but remained steady in France (7.1%) and Germany (3%).

Policy

In a recent speech, Christine Lagarde, President of the ECB, stated that, *"We (ECB) are committed to bringing inflation down to our medium-term target, and we are determined to take the necessary measures to do so. We expect to raise rates further to the levels needed to ensure that inflation returns to our 2% medium-term target in a timely manner".*

In this environment of high uncertainty and with complex shocks hitting the economy, the Governing Council decisions will continue to be data-dependent and follow a meeting-by-meeting approach. How much further the ECB needs to go, and how fast they need to get there, will be based on their updated outlook, the persistence of the shocks, the reaction of wages and inflation expectations, and their assessment of the transmission of their policy stance.

Economic Scorecard – As of 7 December 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)	0.7% (Rebound From Tech Rec)	Flat	Recession / Below Trend	0.6% (About Trend)	Moderating	Below Trend (1) / Recession	0.2% (Above Trend)	Moderating	Recession (1) / Below Trend	3.9% (Rebound) (2)	Rebounding (Zero COVID)	Below / At Trend
Inflation (Headline CPI)	7.7% (Significantly Above target)	Moderating	Above Target	7.3% (Above Target)	Peaking	Above Target	10.6% (Significantly Above Target)	Moderating	Above Target	2.1% (Below Target)	Returning to Trend	At Target
Interest Rates (Official Cash Rate or equivalent)	3.75%-4.00%	Increasing/ Contractionary	4.6% Higher With The Fed (Stable / Decreasing)	3.10% (5)	Increasing/ Contractionary	3.85% Trading Economics (Stable)	2.00% (3)	Increasing/ Contractionary	3.50% Trading Economics (Stable)	3.65% (4)	Stable/ Expansionary	Stable
		AUD/USD										
	Current	Direction	1 year forward									
Currencies (relative PPP basis)	0.67 (PPP 0.694) 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 November 2022

Sandfire Resources Ltd +45.2%

Sandfire Resources (SFR) completed an accelerated non-renounceable 1 for 8.8 entitlement offer at $4.30 per share to raise A$200m to strengthen the balance sheet and ensure sufficient working capital for its Motheo project, which progresses from construction to first production and ramp-up from 1H23 onwards. The Motheo project comes at a time where SFRs DeGrussa portfolio gradually comes to end of life and production volumes are replaced by the MATSA and the Motheo T3 and A4 projects.

Origin Energy Ltd +41.1%

Origin Energy (ORG) received a non-binding, indicative offer at A$9.00/share cash from a Consortium led by Brookfield Asset Management to acquire all issued shares in Origin by way of Scheme of Arrangement. Origin has entered into a confidentiality and exclusivity agreement with the Consortium with the due diligence expected to be complete within 8 weeks. The board has indicated that its intention is to unanimously recommend the proposed offer if it is maintained at A$9.00/share.

Champion Iron Ltd +35.9%

Champion Iron (CIA) provided positive 2Q23 results, with 2.9m WMT sold and achieving an AISC of $81.9/DMT over the second quarter. Revenue was $300.6m, while EBITDA was $84.3m. CIA mainly benefitted from a resurgence in the iron ore price, as the market increasingly grew hopefully of China ending its zero-COVID strategy.

Elders Ltd -20.6%

Elders (ELD) declined after long-serving CEO and ex-Chairman Mark Allison, who has led the turnaround of ELD since 2014, announced his intention to retire by 14 November 2023. Despite the setback, the company’s outlook remained strong, with demand for agricultural commodities expected to remain high due to favourable trading conditions in 1H23, however, recent extreme rainfall events across the Eastern seaboard could have some negative impacts on reaching full harvest potential for both summer and winter crops.

Collins Foods Ltd -18.6%

Collins Foods (CKF) reported 1H23 results showing revenue increasing +15.0% to $614.3m, however, EBITDA increased only +0.5% to $95.4m, while NPAT decreased -14.2% to $28.9m. The results are a reflection of significant cost pressures in CKFs operating environment, especially with food and wage inflation, that pushed the top line positive result into a negative net profit.

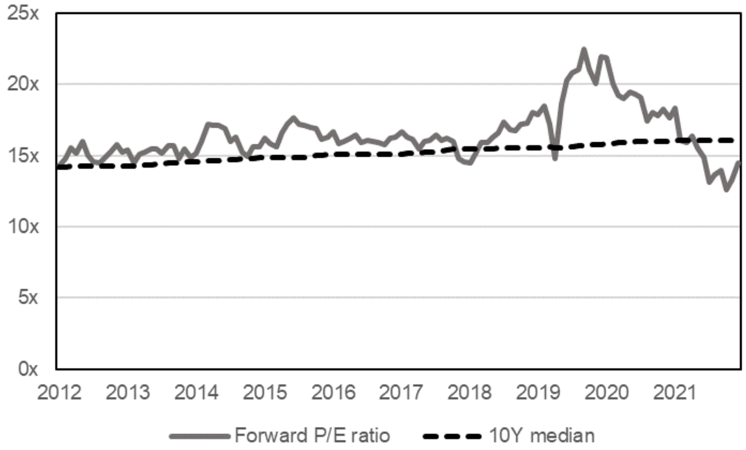
Novonix Ltd -16.4%

Novonix (NVX) announced that it was selected for US$150m funding from the U.S. Department of Energy (DOE) to support its NOVONIX Anode Materials division to expand its domestic production of high-performance, synthetic graphite anode materials. The company is currently in negotiations with DOE to receive the grant, as it is conditional on NVX matching the grant, which it is now actively seeking sources to secure the funding.

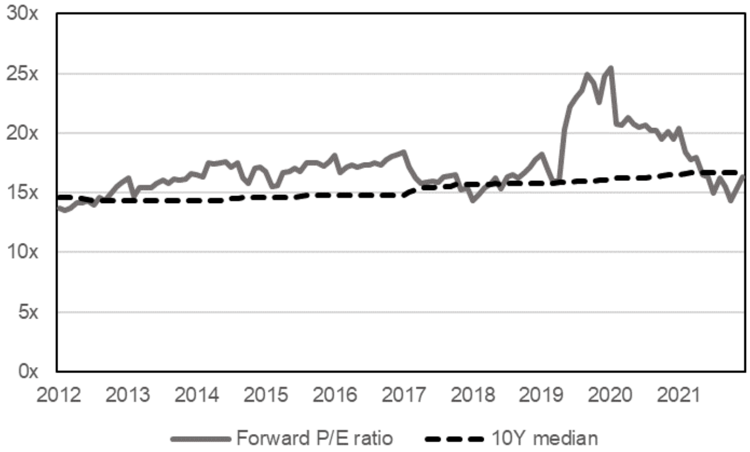
Sources: ASX company announcements, Bloomberg, Factset, Fund manager disclosures, Australian Financial Review, Sydney Morning Herald

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

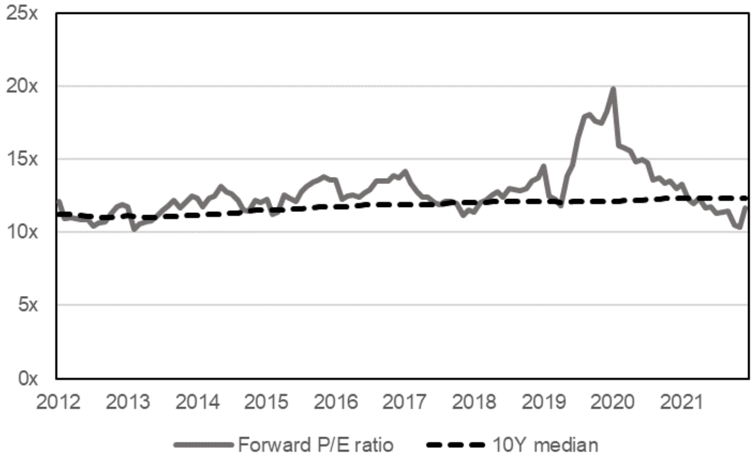
Australian Shares Forward P/E – spot vs trailing 10Y median (November-12 to November-22)



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



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



Sources: Bloomberg, MSCI, S&P (November 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 30 November 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	6.6%	6.0%	3.5%	5.0%	5.9%	8.2%	9.4%	9.4%	5.2%	9.0%
Australia - mid cap	5.0%	4.0%	6.0%	2.4%	11.2%	10.1%	12.7%	13.1%	6.0%	10.9%
Australia - small cap	4.9%	-0.8%	-3.4%	-14.0%	2.6%	4.4%	7.8%	5.9%	1.0%	6.9%
Australia - micro cap	3.3%	-4.1%	-9.2%	-16.2%	12.9%	10.3%	12.5%	6.8%	1.8%	-
World ex Australia	2.0%	6.4%	5.2%	-5.9%	7.9%	10.1%	10.2%	14.7%	7.7%	7.2%
World ex Australia (Hedged)	5.4%	3.0%	-1.5%	-10.1%	6.6%	7.0%	8.8%	11.2%	7.3%	9.3%
World - small cap	1.2%	5.1%	4.7%	-7.7%	5.6%	7.0%	8.6%	13.8%	8.4%	8.9%
Emerging Markets	9.6%	0.5%	-1.6%	-12.6%	0.5%	2.1%	6.2%	6.7%	2.7%	7.7%
A-REITS	5.8%	0.4%	-2.8%	-13.0%	-1.6%	4.2%	6.2%	8.9%	2.2%	5.6%
Global REITs	1.9%	-1.5%	-4.9%	-13.2%	-3.6%	3.1%	3.5%	8.4%	3.8%	-
Global REITs (hedged)	5.0%	-4.6%	-10.7%	-16.5%	-4.4%	0.6%	2.3%	5.4%	3.1%	-
Global infrastructure	3.0%	0.7%	1.9%	10.5%	4.1%	7.6%	8.8%	12.4%	6.5%	-
Global infrastructure (Hedged)	6.1%	-2.4%	-4.0%	4.9%	3.2%	5.0%	7.5%	9.4%	7.8%	-
Trend following (USD)	-4.1%	-3.2%	-3.6%	8.9%	5.6%	3.0%	0.6%	3.3%	3.1%	5.0%
Australia Total Market	1.5%	1.1%	0.3%	-7.7%	-2.7%	0.9%	1.7%	2.6%	4.4%	4.5%
Australia government bonds	1.6%	1.2%	0.3%	-8.2%	-3.0%	0.8%	1.6%	2.5%	4.3%	4.5%
Australia corporate bonds	1.4%	0.7%	0.3%	-6.0%	-1.2%	1.5%	2.4%	3.3%	5.0%	5.0%
Australia floating rate bonds	0.4%	0.7%	1.4%	1.0%	1.1%	1.7%	2.1%	2.6%	3.6%	4.2%
Global Total Market (Hedged)	2.4%	-1.6%	-3.5%	-11.5%	-2.8%	0.1%	1.3%	2.5%	4.7%	5.3%
Global government bonds (Hedged)	1.7%	-1.5%	-3.2%	-10.8%	-2.8%	0.2%	1.2%	2.6%	4.7%	5.2%
Global corporate bonds (Hedged)	4.1%	-1.6%	-4.4%	-14.9%	-3.3%	0.0%	1.7%	2.8%	5.2%	5.7%
Global high yield bonds (Hedged)	4.0%	0.8%	-3.7%	-11.1%	-1.9%	0.2%	3.3%	4.2%	7.0%	8.8%
Emerging Market bonds (Hedged)	7.5%	-0.1%	-5.4%	-18.9%	-6.2%	-2.5%	0.9%	1.6%	5.2%	7.6%
Bloomberg AusBond Bank Bill Index	0.2%	0.6%	1.0%	1.0%	0.5%	1.0%	1.3%	1.7%	2.8%	3.5%

Sources: Bloomberg, IOOF calculations

* AUD total returns as at November-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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