

Market wrap

The recovery rally marches on

- Global shares rose 4.7% and 3.4% in hedged and unhedged terms, respectively.
- Emerging markets continued to struggle (down -0.6%) with political tension within Hong Kong and heightened US tensions driving Chinese equities lower for the month (China accounts for ~40% of the benchmark index making a major driver).
- Australian shares underperformed hedged global shares slightly, rising 4.4% in May. The Technology sector was the most notable performer (up 14.5%) after continued strength from Afterpay following strong user growth in the US and the announcement that Chinese tech giant Tencent had taken a 5% stake in the firm.
- The Australian dollar (AUD) continued its climb from late March lows with an 1.7% rise against major currencies. Coronavirus outbreaks continued to disrupt Brazilian iron ore supply, supporting iron ore prices and boosting Australia's current account surplus. This spurred AUD higher.
- Fixed income returns were positive with both Australian and international bond benchmarks rising 0.3% during May. Domestic and US government bond yields were broadly unchanged while credit spreads continued to contract on following purchases by central banks and further stimulus announcements.

As leading data begins to improve?

Globally

- Global business surveys suggest continued weakness in the near term with the JP Morgan Global Manufacturing PMI remaining in contractionary territory but rising slightly.
- The improvement in these and other leading indicators however suggest the pace of the contraction is slowing and growth is beginning to improve particularly as countries exit lockdown measures.
- We note rising tensions between China and other countries over new national security laws in Hong Kong and a proposed coronavirus inquiry. To date these measures have had limited impact but if they continue to escalate, may exacerbate economic weakness.
- Riots erupted across the US sparked by the death of African American George Floyd. We continue to monitor the situation which may have political and economic implications as it progresses.

Locally

- The RBA continued to leave rates on hold in line with its guidance and expectations.
- Australia's first recession began during the March quarter as a -0.3% fall saw government spending and exports being offset by weaker private sector demand.

Major asset class performance

Asset classes	1 month %	1 year %	5 years (p.a.) %
Australian shares	4.4%	-6.7%	4.3%
Global shares (hedged to AUD)	4.7%	4.9%	6.3%
Global shares (unhedged)	3.4%	12.0%	9.0%
Global small companies (unhedged)	5.2%	2.1%	6.5%
Gobal emerging markets (unhedged)	-0.6%	-0.2%	3.8%
Global listed property (hedged to AUD)	0.1%	-18.7%	0.3%
Cash	0.0%	1.0%	1.8%
Australian fixed income	0.3%	4.9%	4.5%
International fixed income	0.3%	6.0%	4.4%

Source: Bloomberg & IOOF, 31 May 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 markets

Exchange rates	At close on 31/5	1 month change %	1 year change %
USD/AUD	0.67	2.4%	-3.9%
Euro/AUD	0.60	1.1%	-3.3%
Yen/AUD	71.9	3.0%	-4.3%
Trade weighted index	58.8	1.7%	-2.0%

Source: Bloomberg & IOOF, 31 May 2020. All foreign exchange rates are rounded to two decimal places where appropriate Please note: Past performance is not indicative of future performance.

Disclaimer: This report has been prepared by the IOOF Research team for RI Advice Group Pty Ltd ABN 23 001 774 125 AFSL 238429. RI Advice Group Pty Ltd is a company within the IOOF group of companies consisting of IOOF Holdings Limited ABN 49 100 103 722 and its related bodies corporate. This report is current as at the date of issue but may be superseded by future publications. The information in the report may not be reproduced, distributed or published by any recipient for any purpose without the prior written consent of RI Advice Group Pty Ltd. This report may be used on the express condition that you have obtained a copy of the RI Advice Group Pty Ltd Pinancial Services Guide (FSG) from the website, RI Advice Group Pty Ltd and/or its associated entities, directors and/or its employees may have a material interest in, and may earn brokerage from, any securities or other financial products referred to in this report, or may provide services to the companies referred to in this report is not available for distribution outside Australia and may not be passed on to any third person without the prior written consent of RI Advice Group Pty. RI Advice Group Pty and associated persons (including persons from whom information in this report is sourced) may do business or seek to do business with companies covered in its research reports. As a result, investors should be aware that the firms or other such persons may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as a single factor in making an investment decision. This report has been prepared in good faith and with reasonable care. Neither RI Advice Group Pty nor any other person makes any representation or warranty, express or implied, as to the accuracy, reliability, reasonableness or completeness of the contents of this document (including any projections, forecasts, estimates, prospects and returns) provided in, or omitted from this report. General Advice Officers, employers, persentatives and

For information regarding any potential conflicts of interest and analyst holdings; IOOF Research Team's coverage criteria, methodology and spread of ratings; and summary information about the qualifications and experience of the IOOF Research Team's coverage criteria, methodology and spread of ratings; and summary information about the qualifications and experience of the IOOF Research Team's coverage criteria, methodology and spread of ratings; and summary information about the qualifications and experience of the IOOF Research Team's coverage criteria, methodology and spread of ratings; and summary information about the qualifications and experience of the IOOF Research Team's coverage criteria, methodology and spread of ratings; and summary information about the qualifications and experience of the IOOF Research Team's coverage criteria, methodology and spread of ratings; and summary information about the qualifications and experience of the IOOF Research Team's coverage criteria, methodology and spread of ratings; and summary information about the qualifications and experience of the IOOF Research Team's coverage criteria, methodology and spread of ratings; and summary information about the qualifications and experience of the IOOF Research Team's coverage criteria, methodology and spread of ratings; and summary information about the qualifications and experience of the IOOF Research Team's coverage criteria, methodology and spread of ratings; and summary information about the qualifications and experience of the IOOF Research Team's coverage criteria, methodology and spread of ratings; and summary information about the qualifications and experience of the IOOF Research Team's coverage criteria, methodology and spread of ratings; and summary information about the qualification and the IOOF Research Team's coverage criteria, methodology and spread of ratings; and summary information about the qualification and the IOOF Research Team's coverage criteria, methodology and spread of ratings; and summary informa