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2021 January Market Wrap

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Australian equities managed to eke out a gain in January despite a decline in the final week. The S&P/ASX 200 gained 0.3% on the month, continuing a recent strong run which has seen it gain 12% over the last three months. As economic prospects continue to improve in Australia, consumers are helping to drive the rebound. Analysts remain bullish on the broader Australian economy in 2021, which has recovered more rapidly than many of its counterparts, and the S&P/ASX 200 Consumer Discretionary led the pack with a 5% gain in January. Real Estate finished at the bottom of the sectors table this month, sliding 4%.

The stock market continues to see rotation, with investor looking for value outside the big names. This is best shown by the Russell 2000 index up 5% for January vs the S&P 500 (Five hundred largest US stocks) down -1.1%, also illustrated by a couple of the FANG stocks AAPL (Apple) (-5.11%), MSFT (Microsoft) (+2.66) and FB (Facebook) (-5.89%).

The Australian dollar tested the top side of its 52-week range trading as high as 0.7800 then settling back around 0.7600. The AUD looks to have formed a new ceiling around 0.7800, with moves above 0.7800 requiring superior Australian growth, and/or attractive investment yield pick-ups for international investors. The yield pickup argument looks very difficult due to Reserve Bank of Australia (RBA) bond purchased program (QE) looking to keep term rates low.

The global outlook remained uncertain. Infection rates had risen sharply in Europe and the United States and the recoveries in these economies had lost momentum or even reversed. However, the news about vaccines had been positive, which should support the recovery of the global economy. The recovery was also dependent on ongoing support from both fiscal and monetary policy.

Since the start of the year, the RBA balance sheet had increased by around \$130 billion. Authorised deposit-taking institutions had drawn down \$84 billion of low-cost funding through the TFF (The Term Funding Facility) and had access to a further \$105 billion under the facility. Over the preceding month, the Bank had purchased \$19 billion of government bonds under the bond purchase program and a further \$5 billion of AGS in support of the 3-year yield target. The Bank remained prepared to purchase bonds in whatever quantity required to achieve the 3-year yield target. The RBA noted "that the Australian banking system, with its strong capital and liquidity buffers, had remained resilient and was helping the economy traverse the current difficult period".

If you have any questions do not hesitate to contact me.

Stay Safe, Happy and Healthy

Summary of Major share indices

Index	1 Month	52 Weeks	YTD
DJIA	-2.04%	+6.11%	-2.04%
Nasdaq	+1.42%	+42.83%	+1.42%
S&P 500	-1.11%	+13.59%	-1.11%
Russel 2000	+5.00%	+28.47%	+5.00%
Europe 600 Index	-0.80%	-3.62%	-0.80%
UK FTSE 100 Index	-0.82%	-12.06%	-0.82%
Hong Kong Hang Seng	+3.87%	+7.49%	+3.87%
Japan Nikkei 225	+0.80%	+19.21%	+0.80%
China Shanghai Composite	+0.29%	+17.02%	+0.29%
India S&P BSE Sensex	-3.31%	+13.66%	-3.31%
ASX 200 (Australia)	+0.31%	-3.11%	+0.31%

Australian Dollar

	Close	52 week Range
AUD	0.7625%	0.5512-0.7820%

Government Bonds

	Close	52 week Range
US 3 Month Bill	0.065%	-0.076-1.597%
US 10 Years Note	1.072%	0.380 – 1.685%
US 30 Years Bond	1.833%	0.692 – 2.160%
Australia 10 years	1.12%	0.570-1.717%

Source: Wall Street Journal.