



## 2021 May Market Wrap

Tuesday 1 June 2021

As we wind down another month of 2021 it is strange the giddy feel of a return to normalcy, then in a nano second we see another Melbourne lock down. Perhaps pre-mature to be excited for things back to normal when parts of the world are still fiercely battling the virus. Vaccinations are the key here, Australians apathy to get the jab will have serious implications for true economic reopening and future GDP we all need to step up! for the greater good.

May was another tumultuous month as we continued to climb the persistent 'wall of worry' on rates, re-opening, US-taxes, and the US Federal Reserve plans to taper. Despite the bouts of pain and volatility, all major global indices finished the month positive. Corporates are currently seeing the best of margins, with continued demand as the world re-opens, and the macro picture continues to improve, while both fiscal and monetary tailwinds remain robust.

Across the board, investors (even bulls) remain anxious, constantly pondering if we may be a bit delusional.

For equity markets earning momentum is expected to continue in the next quarter, US forecast +61y/y, leaving much room for disappointment. We are in the market of broadening growth, while macro noise remains loud, this too shall pass, and the market will return to looking at earnings as the guiding principle of stock performance.

There is a growing focus on recent developments in China:

- Beijing has made efforts to talk down commodity and
- crypto prices in recent weeks,
- Sounded warnings against speculation in property.

But of most note China Moves to "Three-Child Policy" to boost Falling birth-rate

- First one child policy,
- 2016 second child allowed
- Allow couples to have a third child.

Other key news in the month was Oil hitting a 2 year high, rising oil prices will keep the global focus on inflations and, in turn, investors will question what this means for interest rate settings.

Other economic data of note: The monthly inflation gauge fell 0.2 per cent in May but was up 3.3 per cent on the year – the highest rate in a decade.

What next?

- Reserve Banks need moves
  - Winding back QE (purchasing bonds)
  - Normalising rates



- Communication of the message being the key.
- Broadening recovery
  - Inflation how much is ok before rates go up?
  - Unemployment –
    - Skill shortages
  - Supply Chain
    - Managing increased demand
  - Broader re-opening
    - Then we have a true recovery
  - What asset bubbles have been created ?

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     |
|---------------------------------|---------|----------|---------|
| <b>DJIA</b>                     | +1.93%  | +36.03%  | +12.82% |
| <b>Nasdaq</b>                   | -1.53%  | +44.88%  | +6.68%  |
| <b>S&amp;P 500</b>              | +0.55%  | +38.10%  | +11.93% |
| <b>Russel 2000</b>              | +0.11%  | +62.76%  | +14.89% |
| <b>Europe 600 Index</b>         | +1.56%  | +26.13%  | +11.96% |
| <b>UK FTSE 100 Index</b>        | +0.76%  | +15.57%  | +8.70%  |
| <b>Hong Kong Hang Seng</b>      | +2.80%  | +22.83%  | +7.05%  |
| <b>Japan Nikkei 225</b>         | +0.52%  | +29.71%  | +5.52%  |
| <b>China Shanghai Composite</b> | +4.89%  | +24.01%  | +4.10%  |
| <b>India S&amp;P BSE Sensex</b> | +6.61%  | +55.95%  | +8.77%  |
| <b>ASX 200 (Australia)</b>      | +2.34%  | +28.23%  | +10.40% |

### Australian Dollar

|            | Close   | 52 week Range   |
|------------|---------|-----------------|
| <b>AUD</b> | 0.7717% | 0.63.72-0.8008% |

### Government Bonds

|                           | Close  | 52 week Range  |
|---------------------------|--------|----------------|
| <b>US 3 Month Bill</b>    | 0.013% | 0.003-0.206%   |
| <b>US 10 Years Note</b>   | 1.611% | 0.502 – 1.778% |
| <b>US 30 Years Bond</b>   | 2.291% | 1.169 – 2.515% |
| <b>Australia 10 years</b> | 1.642% | 0.734-1.919%   |

Source: Wall Street Journal.