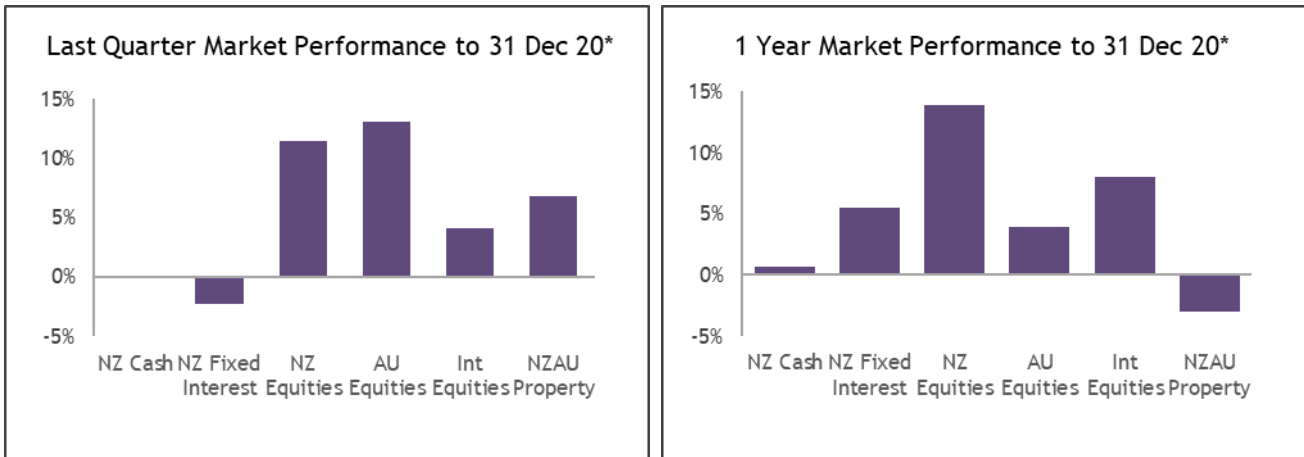


## IWIinvestor Market Review: December 2020

Tirohanga ki te makete mō Hakihea 2020

*Na te pu takitahi, nga weuweu takitini: From one seed grows many strands*

### Market Overview



\*Benchmarks; NZX 90 Day Bank Bill, NZX Composite A Grade, NZX50, ASX200 (NZD), MSCI DM World (NZD), NZX Prop/ASX200 Prop comp

Share markets around the world rallied strongly in the December quarter due to the emergence of vaccines to combat COVID 19 and President-elect Biden's certification as the next President of the United States. President-elect Biden is expected to restore global cooperation on critical issues like climate change and trade policies and further stimulate the US economy through financial support in the short term and infrastructure spend in the medium term. The MSCI World (DM and EM in local currency) rose 14.8% in the quarter, with Emerging Markets and Japan increasing strongly and New Zealand gaining 11.4%.

In fixed interest, the market performance also reflected an expectation of an improving global economy and potential risk of inflation re-emerging. Consequently, the performance of New Zealand securities was subdued with just 0.1% gain in the short-term market and bonds incurring small losses.

Risks in the financial markets persists as the effectiveness of the vaccine remains uncertain.

### Quarter Benchmark Performance:



NZ Fixed Interest down -2.3%



NZ Equities: up 11.4%



Australian Equities: up 13.1% (NZD), up 14.7% (local currency).



International Equities (DM only): up 4.1% (NZD), up 12.4% (local currency).

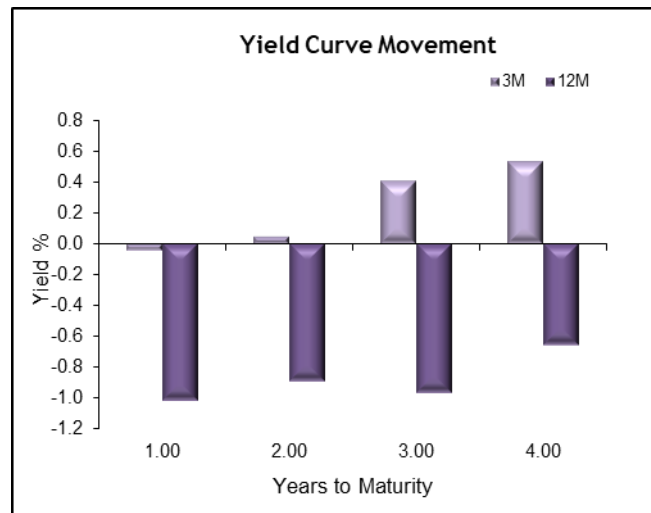
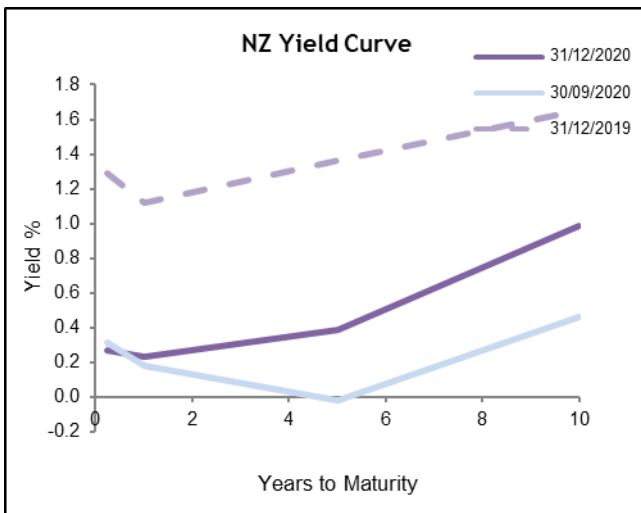


## NZ Cash & Fixed Interest

Bonds (gross return)	Level	3M	6M	1Y	3Y	5Y	10Y	15Y
NZX 90 Day Bank Bill	734	0.1%	0.2%	0.6%	1.4%	1.8%	2.4%	3.7%
NZX Govt Bond Index	1,934	-2.9%	-0.4%	5.4%	5.0%	4.8%	5.3%	5.6%
NZX Composite A Grade	5,377	-2.3%	0.0%	5.5%	5.0%	4.9%	5.3%	5.8%

The RBNZ kept the OCR at 0.25% but the prospects of negative cash rate have subsided. Introduced in December was the 2-year Funding for Lending Programme which enables the RBNZ to lend to the banks at OCR so that the banks can on-lend at lower rates than currently. With an allocation of \$28 billion of 3 years funding, the acceptance by banks has been cautious with just over \$1 billion to date.

The improving outlook for the global economy, including New Zealand, has seen the NZ 10-year government bond yield rise from 0.5% to 1%. However, the RBNZ is continuing with its bond buying programme which should limit further rise unless there is greater confidence economic recovery.



## New Zealand & Australian Equities

Equities (gross return)	Level	3M	6M	1Y	3Y	5Y	10Y	15Y
NZX50	13,092	11.4%	14.3%	13.9%	16.0%	15.7%	14.7%	9.5%
ASX200 (Local)	73,460	14.7%	14.6%	1.4%	6.7%	8.7%	7.8%	6.7%
ASX200 (NZD)	78,282	13.1%	14.1%	3.9%	5.6%	8.7%	5.6%	6.6%

With supportive global sentiment and the New Zealand economy performing better than expected, the local share market rose to a record high despite the kiwi dollar strength curbing the expected performance of our major exporters and companies with substantial offshore operations. The NZX50 Gross index rose 11.4% for the quarter and 13.9% for the year. The economy rebounded strongly in the September quarter to eke out a modest gain of 0.4% for the year.

The Australian share market rise was also strong for the quarter, up 14% but a gain of only 4% for the year. While economic news was better, the resurgence of COVID 19 infection and the souring government relationship with China is constraining investor sentiment. Despite the latter, the global economic outlook has seen the resource sector perform strongly.



## International Equities (Index represents Developed Markets only)

Equities (gross return)	Level	3M	6M	1Y	3Y	5Y	10Y	15Y
MSCI World (Local)	5,983	12.4%	19.9%	13.5%	10.2%	11.6%	10.6%	7.1%
MSCI World (NZD)	11,081	4.1%	9.4%	8.0%	9.9%	10.9%	10.7%	6.9%

The global share markets lost ground in October but bounced strongly thereafter to record 14% growth for the year with bulk of the gain occurring in the last 2 months. Investor confidence was boosted by the economic outlook following the emergence of vaccines to combat COVID 19 and the outcome of the US election. A Biden win and a hung congress was favoured as that would limit economic changes.

January to date has seen the positive sentiment continue despite the COVID virus remaining out of control in most countries and the Democratic party achieving control of the Congress. Clearly, its early days with the vaccines distribution and the Biden administration is unlikely to make rapid economic changes as it grapples with uniting the country and containing the spread of the virus.

While the favourable sentiment in the share market is likely to continue, there remains risk in the economy as the efficacy of the vaccines is uncertain and the mutation of the virus suggests the problem will remain for a long period. Volatility in the share market is likely to continue.

Property (gross return)	Level	3M	6M	1Y	3Y	5Y	10Y	15Y
NZX Property	1,654	7.4%	20.9%	1.2%	10.1%	8.8%	11.7%	8.3%
ASX200 Property (Local)	3,323	7.6%	13.3%	-9.4%	0.2%	2.1%	5.5%	-2.0%
ASX200 Property (NZD)	3,541	6.1%	12.7%	-7.2%	-0.9%	2.0%	3.3%	-2.0%
Currencies (% change)	Level	3M	6M	1Y	3Y	5Y	10Y	15Y
NZD / AUD	0.938	1.4%	0.5%	-2.4%	1.0%	0.0%	2.1%	0.0%
NZD / USD	0.723	9.5%	12.5%	7.3%	0.6%	1.1%	-0.8%	0.4%
NZ TWI	71.50	-0.1%	0.2%	-3.1%	-1.3%	-0.8%	0.4%	0.1%
Commodities (% change)	Level	3M	6M	1Y	3Y	5Y	10Y	15Y
Oil Prices (US\$/WTI)	49	20.6%	23.6%	-20.5%	-7.1%	5.5%	-6.0%	-1.5%
CRB Index	182	22.5%	31.8%	-2.1%	-2.1%	0.6%	-5.9%	-3.9%

