

Sharemarkets – August 2021

- Record-breaking month for global sharemarkets
- Shares hit record highs due to solid earnings reports and M&A activity
- The US Senate passes a US\$1 trillion infrastructure package. US inflation peaks? Consumer sentiment slumps.

Familiar themes prevailed on global sharemarkets in August. Investors monitored the soaring numbers of Delta variant cases as well as the lift in vaccination rates. Inflation, strong corporate profits and central bank attitudes on stimulus measures were the other key topics of interest. Global sharemarkets ended higher over August with the benchmark US S&P 500 index wrapping up its seventh straight month of gains – the longest winning streak since January 2018. And the index notched its 53rd record close of 2021 on the penultimate day of the month. The Aussie S&P/ASX 200 index advanced in August for an 11th successive month, its best run of consecutive monthly gains since 1943.

In the first week of August, global sharemarkets climbed with investors encouraged by US and European earnings results. In the US, the Dow Jones index added 0.8 per cent while the S&P 500 index lifted 0.9 per cent and the Nasdaq index gained 1.1 per cent. The Dow and S&P 500 ended the week at record highs, following a strong July jobs report. Athletic apparel company Under Armour's shares surged 22.3 per cent after its June quarter earnings and sales topped analysts' estimates.

In Asia both the Japanese Nikkei 225 and Australian S&P/ASX 200 indexes rose by 2.0 per cent with shares in Aussie 'buy-now-pay-later' company Afterpay 36.7 per cent higher after a record \$39 billion takeover bid by US payments giant Square. In Europe, the broad Stoxx 600 index lifted 1.8 per cent, hitting regular record closing highs over the period. Shares in British aero-engineer Meggitt jumped 52.9 per cent after US firm Parker-Hannifin said it would buy its rival in a deal valued at US\$8.76 billion.

Over the second week of August, US, European and Australian sharemarkets regularly set end-day closing highs. US earnings results continued to buoy investor spirits, offsetting generally softer US economic data. On August 10, the US Dow and S&P 500 indexes hit record highs after the US Senate passed a US\$1 trillion bipartisan infrastructure package. On August 11, the two indexes hit fresh record highs after data suggested that consumer price inflation may have peaked. On August 13, the preliminary University of Michigan consumer sentiment index for August slumped from 81.2 to a decade low of 70.2. There have only be two larger declines in the index in the past 50 years.

Over the week, the US Dow Jones index rose by 0.9 per cent and the S&P 500 index lifted 0.7 per cent, led higher by shares of steelmaker Nucor (up 21.0 per cent) and Caterpillar (up 4.9 per cent), boosted by the proposed lift in infrastructure spending. The Dow and S&P 500 were both at record highs at the end of the week. But the Nasdaq index lost 0.1 per cent over the week. European markets were up around 1.0-1.5 per cent. In Asia the Japanese Nikkei 225 index rose 0.6 per cent and the S&P/ASX 200 index was up 1.2 per cent with banks and utilities stocks leading the market to record highs. Shares of agribusiness giant Graincorp soared 14.0 per cent after a strong earnings report.

Over the third week of August global sharemarkets were weaker. US retail sales fell more than expected in July (decline of 1.1 per cent). Investors also perceived from the minutes of the last policy-making meeting that the US Federal Reserve was stepping closer to winding back (tapering) bond purchases. And there were other worries concerning the lift in Covid-19 Delta variant cases across the globe. Key US indexes fell by around 1.0 per cent on August 18 and these falls prompted losses on Asian and European markets on August 19.

Over the week Asian markets under-performed with the Japanese Nikkei down 3.4 per cent. And positive earnings results failed to prevent the ASX 200 falling by 2.2 per cent – dropping on each day in the week as the sharp fall in iron ore prices dragged on BHP shares (down 16.0 per cent). In the US, key indexes fell up to 1.1 per cent, led by the Dow Jones with the 8.9 per cent drop in the US Nymex prices weighing on Chevron (down 6.3 per cent). And European markets fell by around 1.5 per cent with luxury goods retailers Kering (down 17.3 per cent) and Burberry (down 14.3 per cent) after China announced an inequality crackdown.

Major US indexes hovered at record highs in the final full week of August with the Dow Jones index up 1.0 per cent, the S&P 500 index 1.5 per cent higher and the Nasdaq index gaining 2.8 per cent. The coronavirus immunisation drive was bolstered as US regulators granted full approval for the Covid-19 mRNA vaccine. Shares of so-called 'reopening' stocks, such as casinos - Penn National Gaming (up 2.5 per cent) and Caesars Entertainment (up 21.7 per cent) - led gains on the S&P 500 index.

US Federal Reserve Chair Jerome Powell delivered a speech online at the annual Jackson Hole economic symposium on August 27. While Chair Powell prepared investors for an eventual easing of its monetary stimulus, he reassured investors that interest rate hikes would not immediately follow a tapering of asset purchases. The run up in US government bond yields prior to the speech supported shares of banks JPMorgan Chase (up 5.4 per cent) and Goldman Sachs (up 6.0 per cent). And the 10-11 per cent surge in crude oil prices over the week boosted shares of Chevron (up 4.6 per cent).

Elsewhere, the pan-European Stoxx 600 index lifted 0.8 per cent over the week, with the Nikkei 225 index 2.3 per cent higher. The Aussie S&P/ASX 200 index edged up by 0.4 per cent, led by a 2.2 per cent lift in energy shares but consumer staples shares were 3.0 per cent lower.

In the final couple of trading days of August, investors were focused on events in Afghanistan and Hurricane Ida, which disrupted offshore oil production in the Gulf of Mexico, ahead of the OPEC+ meeting on September 1. Chevron (-1.9 per cent) was a drag on the Dow Jones index (-0.3 per cent). Wells Fargo shares plunged 8.3 per cent on reports the bank could face regulatory sanctions. But Apple (+2.2 per cent) shares hit an all-time high, valuing the company at over US\$2.5 trillion. The Nasdaq index rose by 0.9 per cent with the S&P 500 index up 0.3 per cent. The Euro Stoxx 600 index eased 0.3 per cent, the Nikkei 225 index rose 1.6 per cent and the ASX200 index added 0.6 per cent.

Over August, global sharemarkets posted solid gains, despite lofty valuations. The US Dow Jones index rose by 1.2 per cent; the S&P 500 added 2.9 per cent and the Nasdaq gained 4.0 per cent. Elsewhere, the Japanese Nikkei 225 index rose by 3.0 per cent and the pan-European Stoxx 600 index lifted by 2.0 per cent – the seventh straight month of gains and the longest winning streak since 2013.

In Australia, investors were buoyed by encouraging news on M&A activity, earnings, dividends and capital returns. The ASX 200 index rose by 1.9 per cent – the 11th straight monthly gain and the longest winning streak in almost 80 years. Out-performers were Information Technology (up 16.8 per cent), Health Care (up 6.8 per cent) and Consumer Staples (up 6.5 per cent). Laggards were Materials (down 7.9 per cent) and Energy (down 5.1 per cent). Wisetech Global (up 57.0 per cent) was the strongest performing stock, followed by Afterpay (up 39.2 per cent) and Blackmores (up 37.4 per cent).

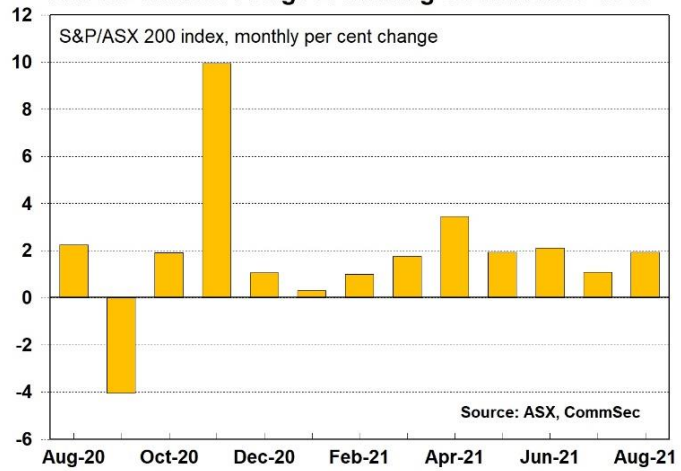
SECTORS & SIZE GROUPINGS

percent change, August 2021

Info Technology	16.8%
Health Care	6.8%
Consumer Staples	6.5%
Property	5.8%
Small Ordinaries	4.8%
Telecom	4.0%
Financials ex Prop Trusts	3.9%
Financials	3.9%
MidCap50	3.4%
Consumer Discretionary	3.1%
Industrials	2.4%
All Ordinaries	2.1%
S&P/ASX200	1.9%
S&P/ASX100	1.7%
S&P/ASX50	1.4%
Utilities	0.3%
S&P/ASX20	0.2%
Energy	-5.1%
Materials	-7.9%

Source: iress, CommSec

Aussie shares: Longest winning streak since 1943

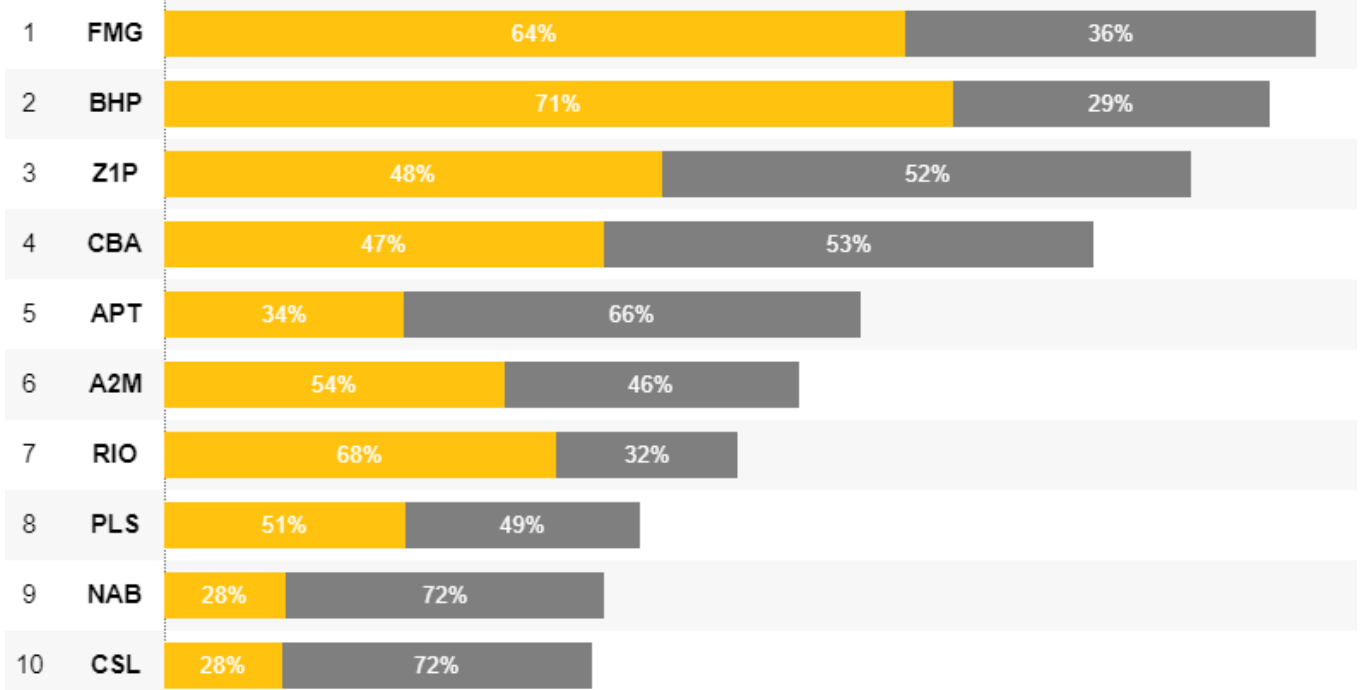


	Dow Jones	S&P 500	Nasdaq	ASX 200	Nikkei	STOXX 600
JULY 30	34935.5	4395.3	14672.7	7392.6	27283.6	461.7
AUGUST 6	35208.5	4436.5	14835.8	7538.4	27820.0	470.0
AUGUST 13	35515.4	4468.0	14822.9	7628.9	27977.2	475.8
AUGUST 20	35120.1	4441.7	14714.7	7460.9	27013.3	468.8
AUGUST 27	35399.8	4528.8	15265.9	7504.5	27789.3	472.7
AUGUST 31	35360.7	4522.7	15259.2	7534.9	28089.5	470.9

Top 10 Stocks Traded by Contract Note Value on CommSec

Period: 01/08/2021 31/08/2021

Contract Note Value



Top 10 Stocks Traded by Contract Note Volume on CommSec

Period: 01/08/2021 31/08/2021

Contract Note Volume

