

Monthly Market Snapshot

APRIL 2017

The Monthly Market Snapshot publication provides commentary on the global economy and the performance of financial markets

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Key insights

In April, most major equity markets increased against a backdrop of reduced political risk in Europe and synchronised global growth, with Australian, US, Europe, and Japan equities up, while UK equities were down. Emerging market equities had a strong gain during the month. Global bond yields, which move inversely to price, have decreased marginally over the month.

Domestically, the Australian dollar depreciated against all major foreign currencies, driven by a sell-off in commodities, especially with iron ore and oil prices falling sharply since March. However, domestic equities rose during the month, driven by broad earnings growth and continued positive economic indicators, including Manufacturing and Services PMI (Purchasing Managers Index) survey results. Headline inflation rose to 2.1% year-on-year during the March quarter, within the RBA's target range, up from 1.5% in the previous quarter. Encouraged by the good news, the RBA has kept its current cash rate at 1.5%, expecting the job market conditions would improve gradually and wage growth would follow. The continued rise in property prices remains a concern and warrants the central bank's careful monitoring of the housing market and assessing its recently introduced macro-prudential measures (e.g. limiting interest only loans) over coming months.

In the US, Trump's bombing in Syria, his aggressive stance against North Korea's nuclear programme, and the first round of the French election across the pond caused volatility in the market in early April. However, as the political tensions lessened and Emmanuel Macron won the first round, the volatility eased and bond yields bounced back. Strong corporate earnings results during the March quarter and continued positive economic survey data, including low unemployment rate and another positive Manufacturing and Services PMI survey result,

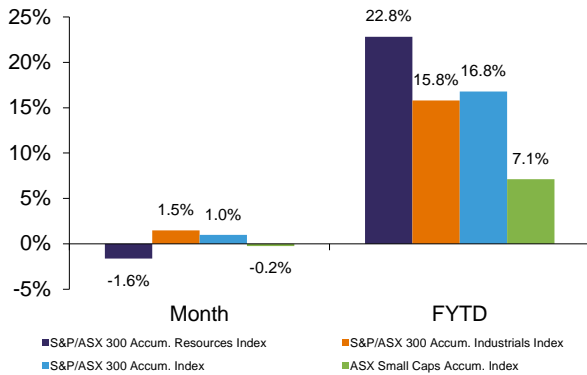
are supportive of the US Federal Reserve continuing to tighten monetary policy over the course of the year.

The European political environment remains troublesome as the EU has come up with a large settlement on Brexit negotiation with the UK, although the election result in France was positive. However, the economic data suggest the eurozone recovery remains on track, with strong GDP growth figures over the first quarter of 2017, particularly robust in Germany, raising chances of the European central bank's phasing out its quantitative easing.

In China, authorities have raised interbank interest rates, and fiscal stimulus in fixed asset infrastructure investment appears to be fading. During the month, growth rates in both imports and exports slowed markedly compared to the previous month, and Manufacturing and Services PMI decreased, although both remain pointing to the expansionary direction.



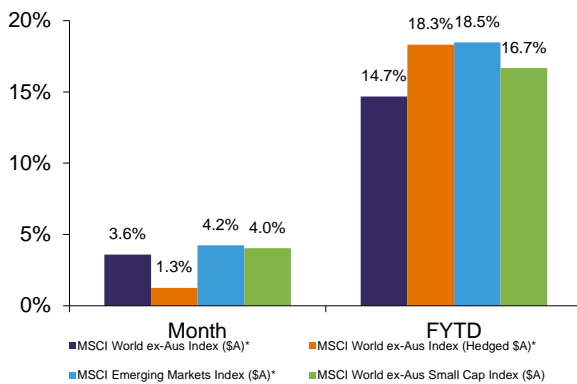
Australian equities



Australian equities rose in April, closing the month up by 1.0%, while the Resources sector fell by 1.6%.



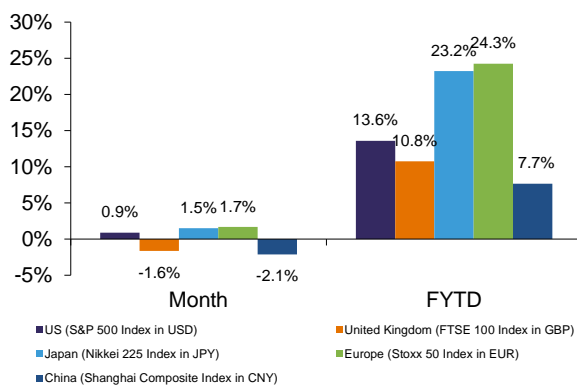
International equities (\$A)



The hedged MSCI World Index rose 1.3% in April, while the unhedged index rose by 3.6%, as the Australian dollar depreciated over the month. Emerging market equities posted strong returns, closing the month up by 4.2% in Australian dollars.



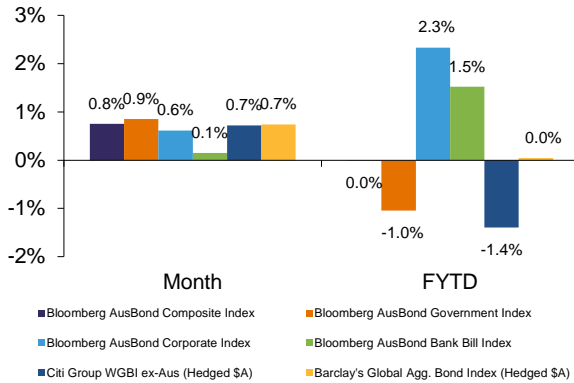
International equities (local currencies)



Major overseas equity markets' performance was mixed in April, with US, Europe, and Japanese equities marginally up, while UK and Chinese equities were down by 1.6% and 2.1%, respectively.



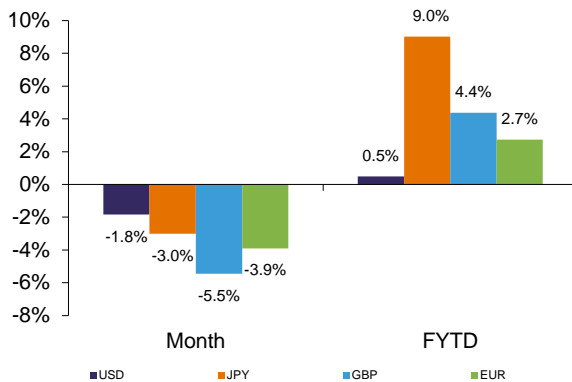
Fixed income



Australian bonds increased in April producing a 0.8% return. Global bonds also had a positive month with the composite index rising 0.7% during the month.



Australian dollar against major currencies

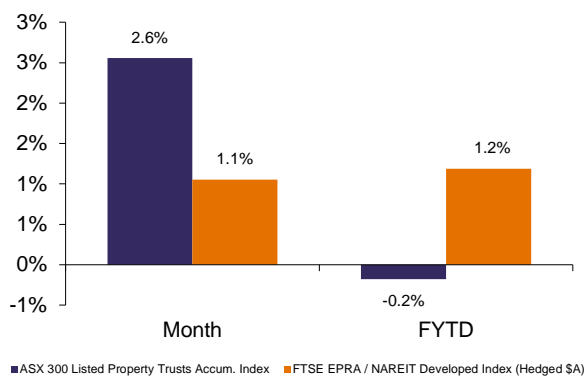


The Australian dollar (AUD) depreciated against all major foreign currencies in April, particularly against sterling where it decreased by 5.5%.

For the financial year to date, the AUD has recorded gains against all major currencies, although it is a relatively flat against the USD.











Property



Australian and global listed property had a gain in April increasing by 2.6% and 1.1%, respectively.

April

	Index value	Month	3 months	FYTD	1 year	
Australian equities						
	S&P/ASX 300 Accum. Index	56,419	1.0%	6.6%	16.8%	17.5%
	S&P/ASX 300 Accum. Industrials Index	117,150	1.5%	8.9%	15.8%	17.2%
	S&P/ASX 300 Accum. Resources Index	19,593	-1.6%	-4.4%	22.8%	19.2%
	ASX Small Caps Accum. Index	6,559	-0.2%	3.7%	7.1%	10.0%
International equities						
	MSCI World ex-Aus Index (\$A)*	7,862	3.6%	7.0%	14.7%	16.9%
	MSCI World ex-Aus Index (Hedged \$A)*	1,461	1.3%	5.5%	18.3%	19.2%
	MSCI Emerging Markets Index (\$A)*	578	4.2%	9.6%	18.5%	21.6%
	MSCI World ex-Aus Small Cap Index (\$A)	502	4.0%	6.1%	16.7%	18.3%
	US (S&P 500 Index in USD)	2,384	0.9%	4.6%	13.6%	15.4%
	United Kingdom (FTSE 100 Index in GBP)	7,204	-1.6%	1.5%	10.8%	15.4%
	Japan (Nikkei 225 Index in JPY)	19,197	1.5%	0.8%	23.2%	15.2%
	Europe (Stoxx 50 Index in EUR)	3,560	1.7%	10.2%	24.3%	17.5%
	China (Shanghai Composite Index in CNY)	3,155	-2.1%	-0.1%	7.7%	7.4%
AUD versus ...						
	USD	0.75	-1.8%	-1.3%	0.5%	-1.6%
	JPY	83.10	-3.0%	-3.3%	9.0%	1.2%
	GBP	0.58	-5.5%	1.0%	4.4%	10.8%
	EUR	0.69	-3.9%	-2.7%	2.7%	2.4%
Property						
	ASX 300 Listed Property Trusts Accum. Index	45,224	2.6%	7.5%	-0.2%	6.1%
	FTSE EPRA / NAREIT Dev. Index (Hedged \$A)*	2,411	1.1%	2.8%	1.2%	5.7%
Oil and Commodities						
	Crude Oil (\$/bbl)	49	-2.5%	-6.6%	2.1%	7.4%
	Copper Spot (\$/tonne)	5,711	-1.8%	-4.7%	18.0%	12.8%
	Gold Spot (\$/ounce)	1,268	1.4%	4.4%	-5.0%	-2.6%
Australian Fixed Interest						
	Bloomberg AusBond Composite Index	8,986	0.8%	1.4%	0.0%	2.6%
	Bloomberg AusBond Government Index	9,330	0.9%	1.5%	-1.0%	2.1%
	Bloomberg AusBond Corporate Index	9,230	0.6%	1.5%	2.3%	4.2%
	Bloomberg AusBond Bank Bill Index	8,589	0.1%	0.4%	1.5%	1.9%
Global Fixed Interest						
	Citi Group WGBI ex-Aus (Hedged \$A)	2,243	0.7%	1.6%	-1.4%	1.7%
	Barclay's Global Agg. Bond Index (Hedged \$A)	-	0.7%	1.7%	0.0%	2.6%
Fixed income (yields) as at ...						
		30-Apr-17	31-Mar-17	31-Jan-17	30-Jun-16	30-Apr-16
	Australia Bank Bill	1.75	1.79	1.77	1.94	2.15
	Australia 10 Year Government Bond	2.58	2.70	2.71	1.98	2.52
	US 10 Year Government Bond	2.28	2.39	2.45	1.47	1.83
	UK 10 Year Government Bond	1.09	1.14	1.42	0.87	1.60
	Germany 10 Year Government Bond	0.32	0.33	0.44	-0.13	0.27
	Japan 10 Year Government Bond	0.02	0.07	0.09	-0.22	-0.08

* Net dividends reinvested

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