

Monthly Market Snapshot

MARCH 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 March, global bond markets were flat, while Australian bonds produced a positive return. Major equity markets' performance was mixed in March, with Australian and European equities up relatively strongly, while US and UK equities were relatively flat, and Japanese equities were down moderately.

The US Federal Reserve raised its policy rate by 0.25% to a range of 0.75% to 1%. The third rate hike since the 2008 crisis was supported by robust economic data including strong job market figures (low unemployment rate), increasing inflation, and continued recovery in business and consumer confidence since the second half of 2016. However, US 10 year government bond yields did not move in response as the market has already factored in three rate hikes by the end of 2018. The US equity market also did not move, as the market is taking a wait and see posture on what the Trump Administration will implement, as it failed to repeal Obamacare.

Domestically, equities continued increasing with improving earnings expectations largely driven by strong demand for commodities since late last year. However, commodity prices decreased during March into April causing the Australian dollar to marginally depreciate against major foreign currencies. With growing concerns over low inflation and disappointing wages growth on one hand, while on the other hand concerns of increasing housing prices, the RBA has chosen to keep the current cash rate at 1.5%. Instead, the financial regulator, APRA, imposed new policies on residential mortgage lending practices, for instance, limiting new interest-only loans as a proportion of total new lending by banks.

In Europe, business confidence is picking up to its highest level since 2011, and consumer confidence reached near its pre-crisis level, both supporting the European central bank's stance

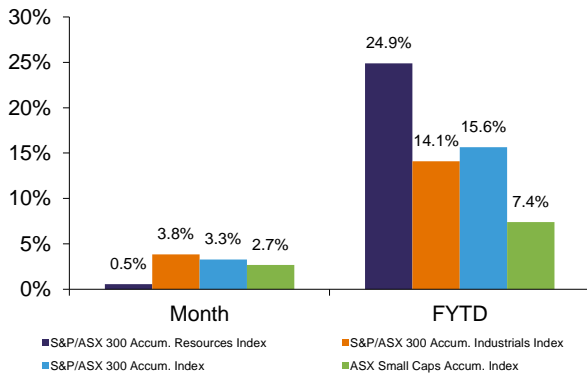
that the European economy is gradually shifting to a reflationary phase. Political concerns reduced slightly as in the Netherlands election the right-wing party was not supported as had been feared. The pro-EU candidate, Emmanuel Macron, is currently leading the polls in the French Presidential campaign that will be held in April and May.

Japan continues to produce strong economic survey data since late 2016, including strong labour market data with a falling unemployment rate, increasing business confidence, and continued positive Manufacturing and Services PMI (Purchasing Managers Index) survey results. Japanese Yen has appreciated since January, as the US dollar has weakened while US bond yields moved sideways.

Trump's aggressive rhetoric and positioning towards North Korea and its continued weapons testing program has increased in the region. However, although still highly uncertain, the Trump Administration's position on China appears to have softened and the likelihood of negative US policies towards it appear to have lessened. Domestically in China, stabilising business conditions indicated by business confidence and PMI indices, suggest continued growth in the economy.



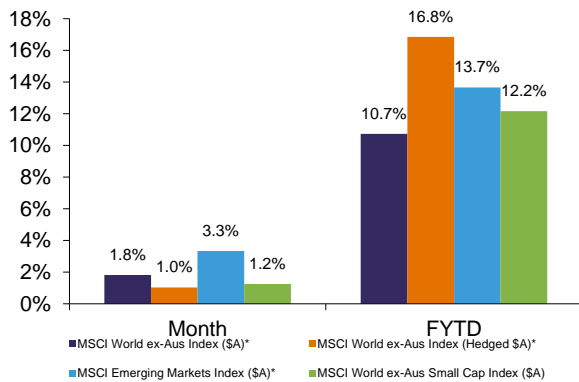
Australian equities



Australian equities rose in March, closing the month up by 3.3%, while the Resources sector was relatively flat with a 0.5% increase.



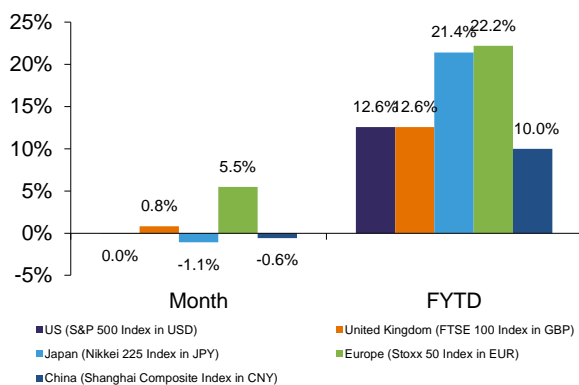
International equities (\$A)



The hedged MSCI World Index rose 1.0% in March, while the unhedged index rose by 1.8%, as the Australian dollar depreciated over the month. Emerging market equities rose by 3.3% in Australian dollar terms.



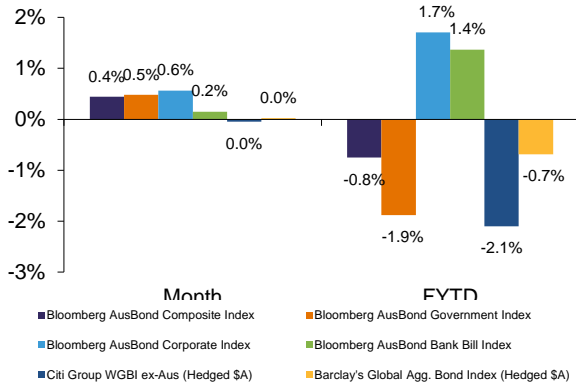
International equities (local currencies)



Major equity markets' performance was mixed across the world in March, with European equities were up by 5.5%, while US, UK and Chinese equities relatively flat, and Japanese equities were down by 1.1%.



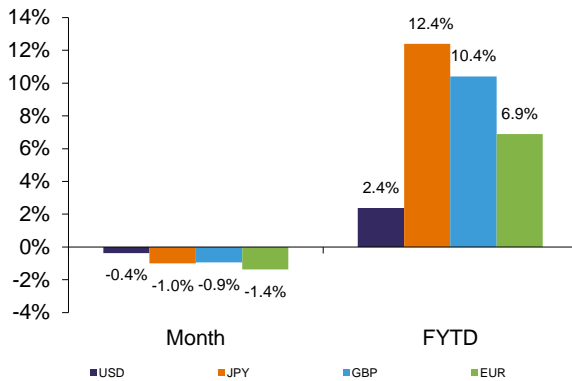
Fixed income



Australian bonds increased in March producing a 0.4% return. Global bonds had no gain during the month.



Australian dollar against major currencies

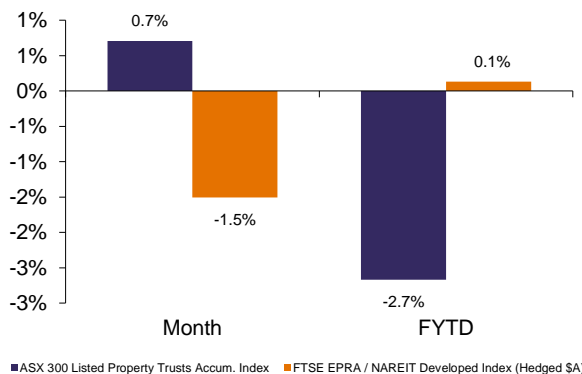


The Australian dollar (AUD) depreciated against all major foreign currencies in March.

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











Property



Australian listed property increased by 0.7% in March, while global listed property had a loss of 1.5%.

March

	Index value	Month	3 months	FYTD	1 year	
Australian equities						
	S&P/ASX 300 Accum. Index	55,870	3.3%	4.7%	15.6%	20.2%
	S&P/ASX 300 Accum. Industrials Index	115,444	3.8%	5.2%	14.1%	17.2%
	S&P/ASX 300 Accum. Resources Index	19,919	0.5%	2.2%	24.9%	39.9%
	ASX Small Caps Accum. Index	6,575	2.7%	1.5%	7.4%	13.7%
International equities						
	MSCI World ex-Aus Index (\$A)*	7,590	1.8%	0.9%	10.7%	15.6%
	MSCI World ex-Aus Index (Hedged \$A)*	1,443	1.0%	5.7%	16.8%	18.8%
	MSCI Emerging Markets Index (\$A)*	555	3.3%	5.8%	13.7%	18.2%
	MSCI World ex-Aus Small Cap Index (\$A)	483	1.2%	-0.5%	12.2%	17.1%
	US (S&P 500 Index in USD)	2,363	0.0%	5.5%	12.6%	14.7%
	United Kingdom (FTSE 100 Index in GBP)	7,323	0.8%	2.5%	12.6%	18.6%
	Japan (Nikkei 225 Index in JPY)	18,909	-1.1%	-1.1%	21.4%	12.8%
	Europe (Stoxx 50 Index in EUR)	3,501	5.5%	6.4%	22.2%	16.5%
	China (Shanghai Composite Index in CNY)	3,223	-0.6%	3.8%	10.0%	7.3%
AUD versus ...						
	USD	0.76	-0.4%	6.0%	2.4%	-0.4%
	JPY	85.67	-1.0%	1.4%	12.4%	-0.3%
	GBP	0.61	-0.9%	1.0%	10.4%	14.8%
	EUR	0.72	-1.4%	4.2%	6.9%	5.9%
Property						
	ASX 300 Listed Property Trusts Accum. Index	44,096	0.7%	-0.1%	-2.7%	6.3%
	FTSE EPRA / NAREIT Dev. Index (Hedged \$A)*	2,386	-1.5%	1.2%	0.1%	3.9%
Oil and Commodities						
	Crude Oil (\$/bbl)	51	-6.3%	-5.8%	4.7%	32.0%
	Copper Spot (\$/tonne)	5,816	-2.5%	5.3%	20.2%	19.2%
	Gold Spot (\$/ounce)	1,251	-0.5%	8.1%	-6.3%	0.6%
Australian Fixed Interest						
	Bloomberg AusBond Composite Index	8,919	0.4%	1.2%	-0.8%	2.1%
	Bloomberg AusBond Government Index	9,251	0.5%	1.2%	-1.9%	1.4%
	Bloomberg AusBond Corporate Index	9,174	0.6%	1.7%	1.7%	4.1%
	Bloomberg AusBond Bank Bill Index	8,576	0.2%	0.4%	1.4%	1.9%
Global Fixed Interest						
	Citi Group WGBI ex-Aus (Hedged \$A)	2,227	0.0%	0.2%	-2.1%	1.0%
	Barclay's Global Agg. Bond Index (Hedged \$A)	-	0.0%	0.7%	-0.7%	2.2%
Fixed income (yields) as at ...						
		31-Mar-17	28-Feb-17	31-Dec-16	30-Jun-16	31-Mar-16
	Australia Bank Bill	1.79	1.78	1.80	1.94	2.27
	Australia 10 Year Government Bond	2.70	2.72	2.77	1.98	2.49
	US 10 Year Government Bond	2.39	2.39	2.44	1.47	1.77
	UK 10 Year Government Bond	1.14	1.15	1.24	0.87	1.42
	Germany 10 Year Government Bond	0.33	0.21	0.21	-0.13	0.15
	Japan 10 Year Government Bond	0.07	0.06	0.05	-0.22	-0.03

* Net dividends reinvested

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