

Monthly Market Snapshot

SEPTEMBER 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 September, global equities have delivered strong performance, particularly in developed market equities as markets price in an optimistic outlook as global growth continued to recover. Globally, the economic outlook appears positive as shown in the upward trajectory of positive economic surprise indices, positive economic leading indicators and continued expansion of PMIs (Purchasing Managers' Index).

Australian equities performance was weighed down by the Telecom and Utilities sectors. Australian and global bonds delivered a negative return due to gradual rising in bond yields.

Despite heightened geopolitical risks, global economic fundamentals have been strong, particularly in the US and Europe as illustrated by declining unemployment rate. Improving economic fundamentals are supported by stabilising commodity prices and improving corporate earnings.

The US Federal Reserve (Fed) have gradually raised interest rates (tightened monetary policy) having increased the Federal Funds Rate twice this year with one more hike expected by the end of 2017. The Fed's expectation on the path of interest rates remains above market expectation, although both have "flattened" over recent months as US inflation softened.

Domestically, market expectations are for the RBA to keep the cash rate unchanged at 1.5% for the near term.

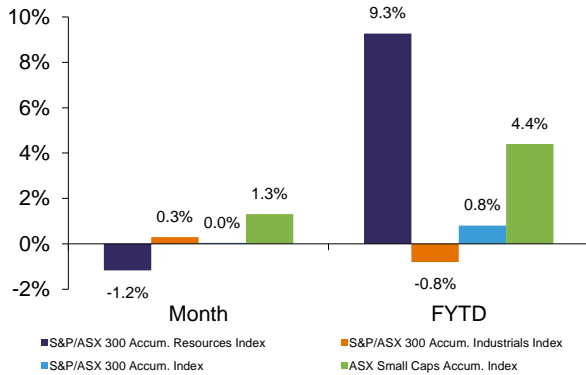
The Australian dollar has been supported by the recovery in commodity prices, the trade balance moving into surplus as export volumes rise, and the weak US dollar.

The domestic labour market has also continued to improve. However, interest rates are expected to be kept low because inflation is below the RBA's target and high Australian household debt increases the sensitivity of the economy to interest rate changes. In addition, wage growth in Australia remains subdued as a result of the elevated levels of the underemployment rate.

Economic growth in China is expected to slow as credit growth and infrastructure investment stimulus fades. However, the Chinese authorities are likely to minimise any significant volatility in the economy, and a sharp slowdown appears unlikely.



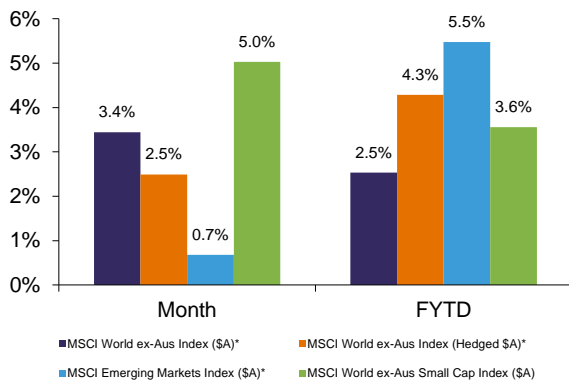
Australian equities



In September, Australian equities were flat, while the Resources sector retreated some of its strong financial year gain to date.



International equities (\$A)

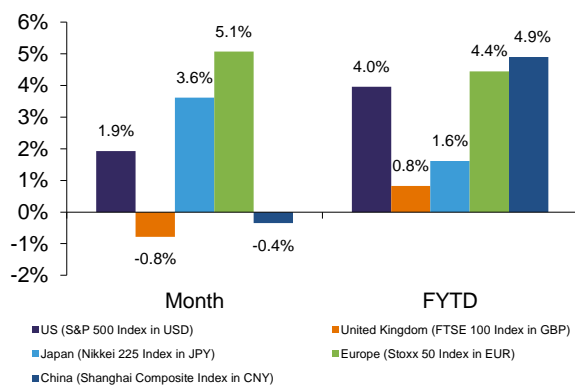


The hedged MSCI World Index gained 2.5% in September, while the unhedged index gained 3.4%, as the Australian dollar weakened over the month.

Emerging market equities continued to lead the global equity markets, gaining 5.5% for the financial year to date.



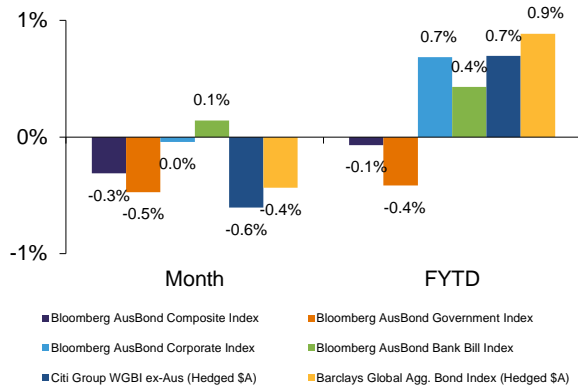
International equities (local currencies)



In September, equity markets in Europe, Japan, and the US gained 5.1%, 3.6%, and 1.9%, respectively, while UK and China were down marginally.



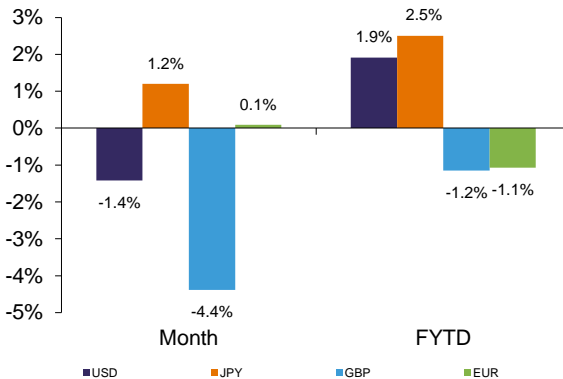
Fixed income



In September, both Australian and global bonds declined by 0.3% and 0.4%, respectively.



Australian dollar against major currencies

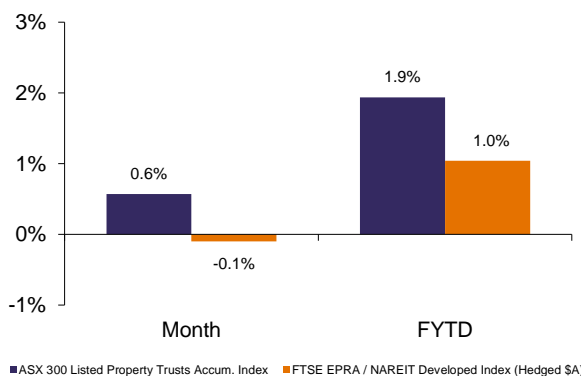


The Australian dollar (AUD) depreciated against the US dollar and the British Pound by 1.4% and 4.4%, respectively. Against the Japanese Yen, the AUD appreciated by 1.2% during the month.

For the financial year to date, the AUD has recorded gains against the USD and JPY, but its value is lower against the GBP and the Euro.











Property



In September, Australian-listed property increased by a small amount, while hedged Global listed property was marginally lower.

September

	Index value	Month	3 months	FYTD	1 year	
Australian Equities						
	S&P/ASX 300 Accum. Index	55,432	0.0%	0.8%	0.8%	9.0%
	S&P/ASX 300 Accum. Industrials Index	112,940	0.3%	-0.8%	-0.8%	7.4%
	S&P/ASX 300 Accum. Resources Index	21,191	-1.2%	9.3%	9.3%	17.6%
	ASX Small Caps Accum. Index	6,841	1.3%	4.4%	4.4%	3.0%
International Equities						
	MSCI World ex-Aus Index (\$A)*	8,064	3.4%	2.5%	2.5%	15.4%
	MSCI World ex-Aus Index (Hedged \$A)*	1,553	2.5%	4.3%	4.3%	19.6%
	MSCI Emerging Markets Index (\$A)*	619	0.7%	5.5%	5.5%	19.4%
	MSCI World ex-Aus Small Cap Index (\$A)	516	5.0%	3.6%	3.6%	15.4%
	US (S&P 500 Index in USD)	2,519	1.9%	4.0%	4.0%	16.2%
	United Kingdom (FTSE 100 Index in GBP)	7,373	-0.8%	0.8%	0.8%	6.9%
	Japan (Nikkei 225 Index in JPY)	20,356	3.6%	1.6%	1.6%	23.7%
	Europe (Stoxx 50 Index in EUR)	3,595	5.1%	4.4%	4.4%	19.7%
	China (Shanghai Composite Index in CNY)	3,349	-0.4%	4.9%	4.9%	11.5%
AUD Versus...						
	USD	0.78	-1.4%	1.9%	1.9%	2.3%
	JPY	88.32	1.2%	2.5%	2.5%	14.5%
	GBP	0.58	-4.4%	1.0%	-1.2%	-0.7%
	EUR	0.67	0.1%	-1.1%	-1.1%	-2.1%
Property						
	ASX 300 Listed Property Trusts Accum. Index	43,579	0.6%	1.9%	1.9%	-2.0%
	FTSE EPRA / NAREIT Dev. Index (Hedged \$A)	2,461	-0.1%	1.0%	1.0%	1.9%
Oil and Commodities						
	Crude Oil (\$/bbl)	52	9.4%	12.2%	12.2%	7.1%
	Copper Spot (\$/tonne)	6,432	-4.8%	8.5%	8.5%	32.7%
	Gold Spot (\$/ounce)	1,285	-2.8%	2.8%	2.8%	-3.8%
Australian Fixed Interest						
	Bloomberg AusBond Composite Index	9,003	-0.3%	-0.1%	-0.1%	-0.7%
	Bloomberg AusBond Government Index	9,312	-0.5%	-0.4%	-0.4%	-2.0%
	Bloomberg AusBond Corporate Index	9,339	0.0%	0.7%	0.7%	2.1%
	Bloomberg AusBond Bank Bill Index	8,651	0.1%	0.4%	0.4%	1.8%
Global Fixed Interest						
	Citi Group WGBI ex-Aus (Hedged \$A)	2,264	-0.6%	0.7%	0.7%	-0.7%
	Barclays Global Agg. Bond Index (Hedged \$A)	-	-0.4%	0.9%	0.9%	0.5%
Fixed Income (Yields) as at ...						
		30-Sep-17	31-Aug-17	30-Jun-17	30-Jun-17	30-Sep-16
	Australia Bank Bill	1.71	1.72	1.71	1.71	1.72
	Australia 10 Year Government Bond	2.84	2.71	2.60	2.60	1.91
	US 10 Year Government Bond	2.33	2.12	2.30	2.30	1.59
	UK 10 Year Government Bond	1.37	1.03	1.26	1.26	0.75
	Germany 10 Year Government Bond	0.46	0.36	0.47	0.47	-0.12
	Japan 10 Year Government Bond	0.07	0.01	0.09	0.09	-0.09

* Net dividends reinvested

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