

Monthly Market Snapshot

FEBRUARY 2020

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

FRONTIER
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Market Commentary

The international equity market produced a large negative return in February amid the global outbreak of the coronavirus (COVID-19). China has imposed drastic measures to curb the spread of the coronavirus including lockdown, factory and school shutdowns. Other countries have implemented travel restrictions and quarantine orders. Since the end of February, the number of new COVID-19 infections have fallen in China, but increased in other parts of the world.

Economic activity in China has been impacted by the COVID-19 outbreak. Although the authorities are now stressing orderly resumption of work and production, high frequency economic data on property sales, coal consumption, traffic congestions and pollution levels suggests the economy has yet to restart in a meaningful way. The flow through to global supply chain disruption has been reflected in exports and imports contracting for some emerging Asian economies.

To counter the negative economic impact, China and other countries have announced both monetary and fiscal policy to support their economy. This included interest rate reduction and short-term liquidity injections by the People's Bank of China to loosen lending conditions. The Federal Reserve had an emergency rate cut of 0.5% and the Reserve Bank of Australia cut the cash rate by 0.25%.

Domestically, Australian equity followed the trend of the global equity market, producing negative returns in the month. The resource sector showed the worst performance as commodity prices declined significantly. The annual economic growth increased to 2.2% in the fourth quarter of 2019 and the current account recorded surplus for three consecutive quarters. House prices continued to increase strongly and credit growth is recovering on the back of recent interest rate cuts by the RBA.

However, the tourism and education sectors have been hit particularly hard by the travel ban. In response to the virus outbreak, the Australian government has unveiled a \$17.6 billion stimulus package (0.9% of GDP) to support the economy.

US economic conditions remained robust prior to the virus outbreak. The jobless claims were low and job openings remained at a relatively high level. However, like other countries, the US economy will likely also suffer the negative impact from COVID-19 particularly as President Trump has now announced a travel ban on Europe (ex-UK). The other key development in the US is the Democratic Party presidential primaries. Bernie Sanders and Joe Biden are now the two front-runners.

In Europe, the Italian government has quarantined the whole country. There are also significant cases in France, Spain and Germany. The European manufacturing PMI increased in the month, but declines in the sub-component for exports orders and the supplier delivery times index. Japan's GDP growth was back into negative territory as consumption spending plunged due to an October tax hike.

Bond markets continued to deliver positive returns in February, supported by ongoing easing monetary policy and higher uncertainty about the severity and duration of the coronavirus outbreak.

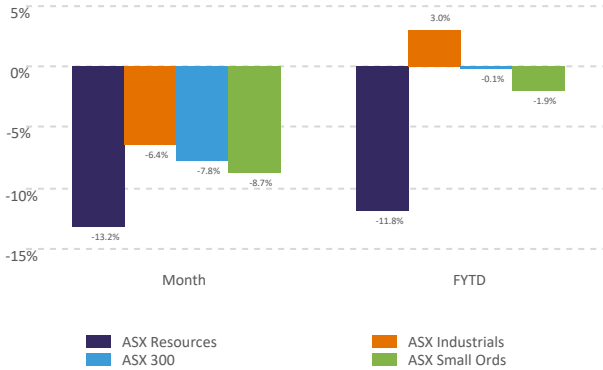
The Australian dollar depreciated further against major currencies in February following the global risk-off sentiment. Oil prices fell due to the weakening demand outlook from COVID-19 and conflict between OPEC and Russia on the further supply cuts.

Listed property and infrastructure followed the broader equity markets in February and produced negative returns in the month.

February 2020



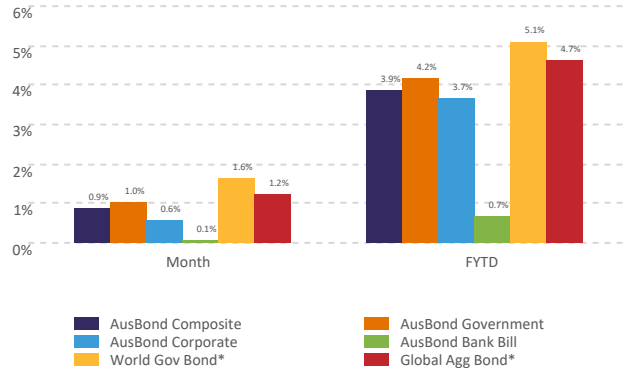
Australian Equities



Source: Refinitiv Datastream



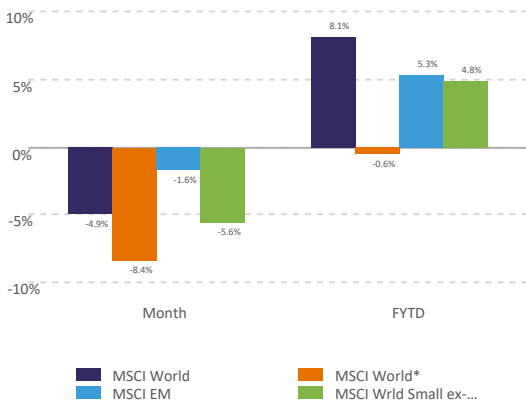
Fixed Income



Source: Refinitiv Datastream *Hedged A\$



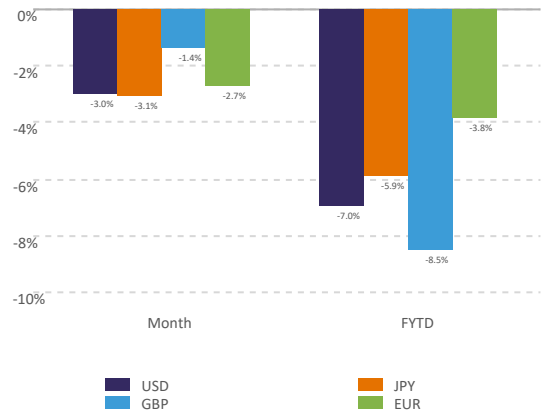
International Equities (\$A)



Source: Refinitiv Datastream *Hedged A\$



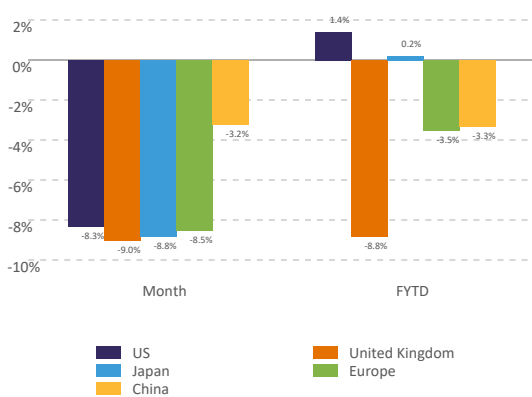
Australian Dollar



Source: Refinitiv Datastream



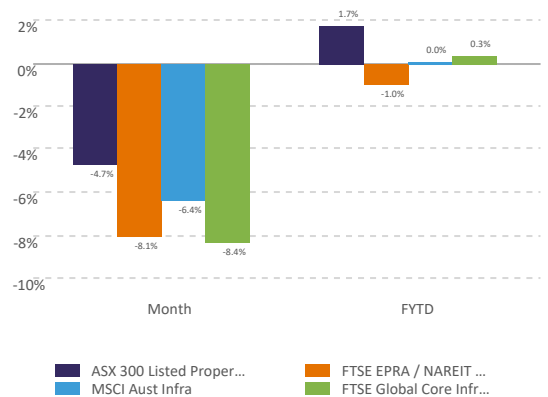
International Equities



Source: Refinitiv Datastream











Property



Source: Refinitiv Datastream *Hedged A\$

Details of the indexes are in the table on the next page

February 2020

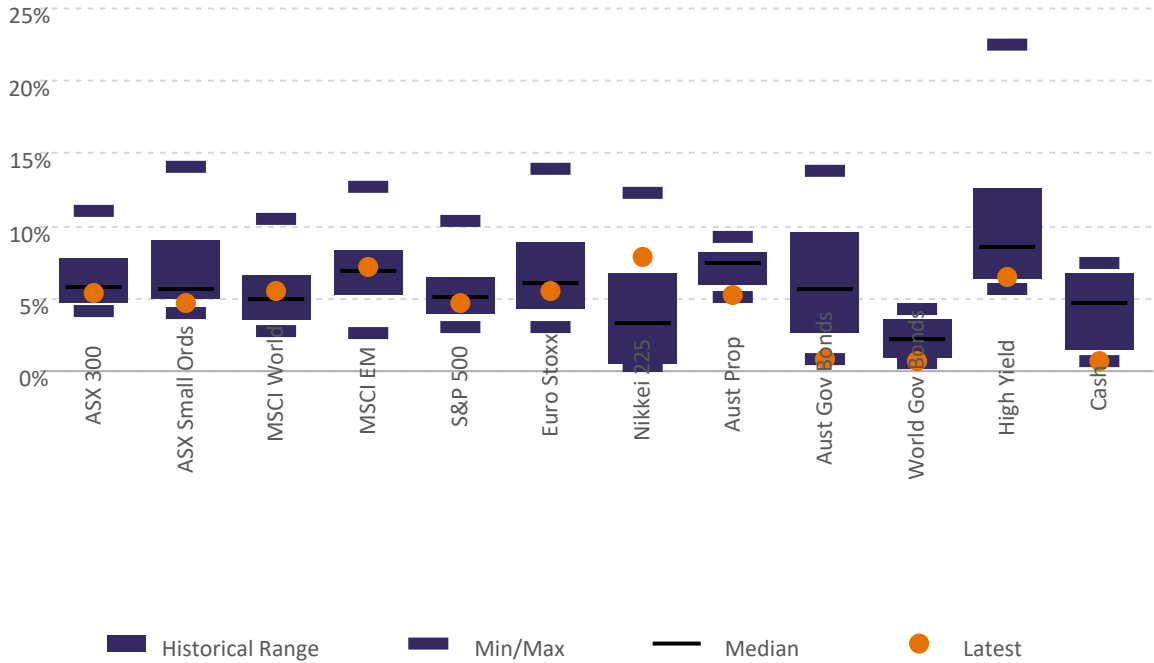
	Index value	Month	3 months	FYTD	1 year
Australian Equities					
 S&P/ASX 300 Accum. Index	69,325	-7.8%	-5.2%	-0.1%	8.7%
S&P/ASX 300 Accum. Industrials Index	140,079	-6.4%	-3.7%	3.0%	12.6%
S&P/ASX 300 Accum. Resources Index	43,769	-13.2%	-11.2%	-11.8%	-5.6%
ASX Small Caps Accum. Index	8,137	-8.7%	-5.9%	-1.9%	1.6%
International Equities					
 MSCI World ex-Aus Index (\$A)*	11,003	-4.9%	-1.6%	8.3%	15.6%
MSCI World ex-Aus Index (Hedged \$A)*	1,751	-8.5%	-6.7%	-0.7%	4.4%
MSCI Emerging Markets Index (\$A)*	739	-1.6%	1.8%	5.3%	8.3%
MSCI World ex-Aus Small Cap Index (\$A)	613	-5.7%	-4.4%	3.9%	5.9%
US (S&P 500 Index in USD)	2,954	-8.4%	-5.9%	0.4%	6.1%
United Kingdom (FTSE 100 Index in GBP)	6,581	-9.7%	-10.4%	-11.4%	-7.0%
Japan (Nikkei 225 Index in JPY)	21,143	-8.9%	-9.2%	-0.6%	-1.1%
Europe (Stoxx 50 Index in EUR)	3,329	-8.6%	-10.1%	-4.2%	0.9%
China (Shanghai Composite Index in CNY)	2,880	-3.2%	0.3%	-3.3%	-2.1%
AUD versus ...					
 USD	0.65	-2.8%	-3.9%	-7.4%	-8.3%
JPY	71.09	-3.1%	-4.2%	-5.9%	-10.3%
GBP	0.51	-1.4%	-3.5%	-8.5%	-5.8%
EUR	0.59	-2.7%	-3.6%	-3.8%	-5.5%
Property					
 ASX 300 Listed Property Trusts Accum. Index	58,764	-4.7%	-3.0%	1.7%	12.3%
FTSE EPRA / NAREIT Dev. Index (Hedged \$A)*	2,764	-8.1%	-7.1%	-1.0%	2.2%
Oil and Commodities					
 Crude Oil (\$/bbl)	45	-13.2%	-18.9%	-23.4%	-21.8%
Copper Spot (\$/tonne)	5,617	1.2%	-3.9%	-6.1%	-14.3%
Gold Spot (\$/ounce)	1,567	-1.3%	6.0%	9.3%	15.8%
Australian Fixed Interest					
 Bloomberg AusBond Composite Index	10,569	0.9%	1.5%	3.9%	9.0%
Bloomberg AusBond Government Index	11,133	1.0%	1.7%	4.2%	10.1%
Bloomberg AusBond Corporate Index	10,782	0.6%	1.4%	3.7%	8.0%
Bloomberg AusBond Bank Bill Index	9,001	0.1%	0.2%	0.7%	1.3%
Global Fixed Interest					
 FTSE WGBI ex-Aus (Hedged \$A)	2,594	1.6%	3.2%	5.1%	10.1%
Barclay's Global Agg. Bond Index (Hedged \$A)		1.2%	2.8%	4.6%	9.3%
Fixed Income (yields) as at ...					
 Australia Bank Bill	0.80	0.88	0.89	1.21	1.87
Australia 10-Year Government Bond	0.82	0.95	1.03	1.32	2.10
US 10-Year Government Bond	1.15	1.51	1.78	2.01	2.72
UK 10-Year Government Bond	0.44	0.52	0.70	0.83	1.30
Germany 10-Year Government Bond	-0.61	-0.43	-0.36	-0.33	0.18
Japan 10-Year Government Bond	-0.15	-0.07	-0.07	-0.16	-0.02

Source: Bloomberg

*Net dividends reinvested

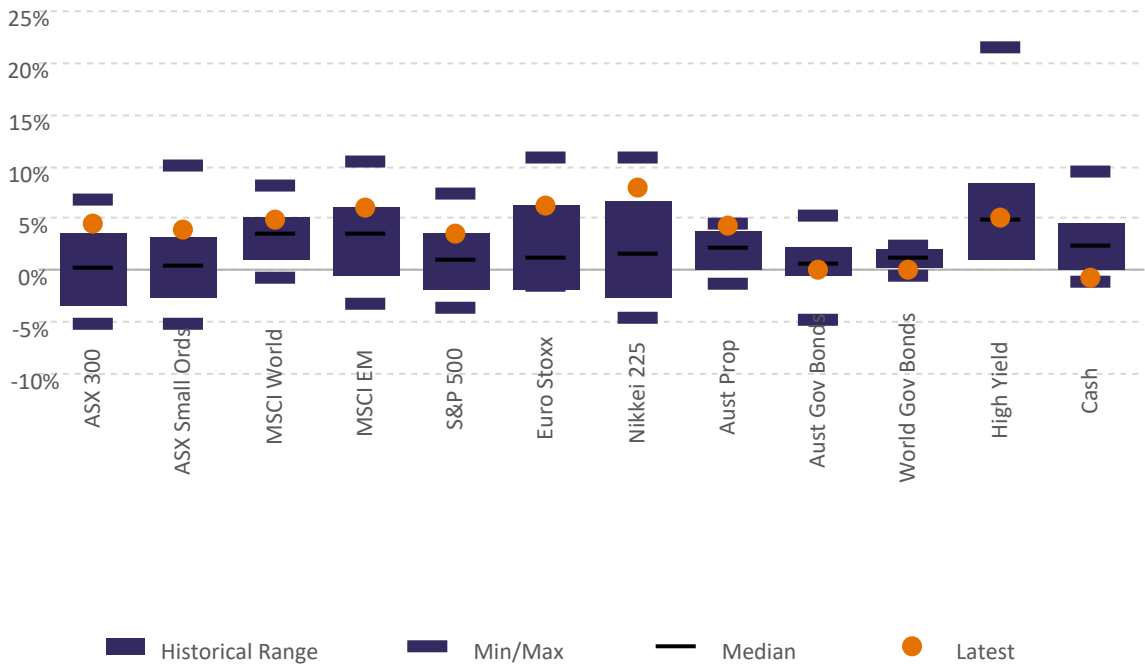
Asset Class Yields Relative to History

Current Yields (equities earnings)



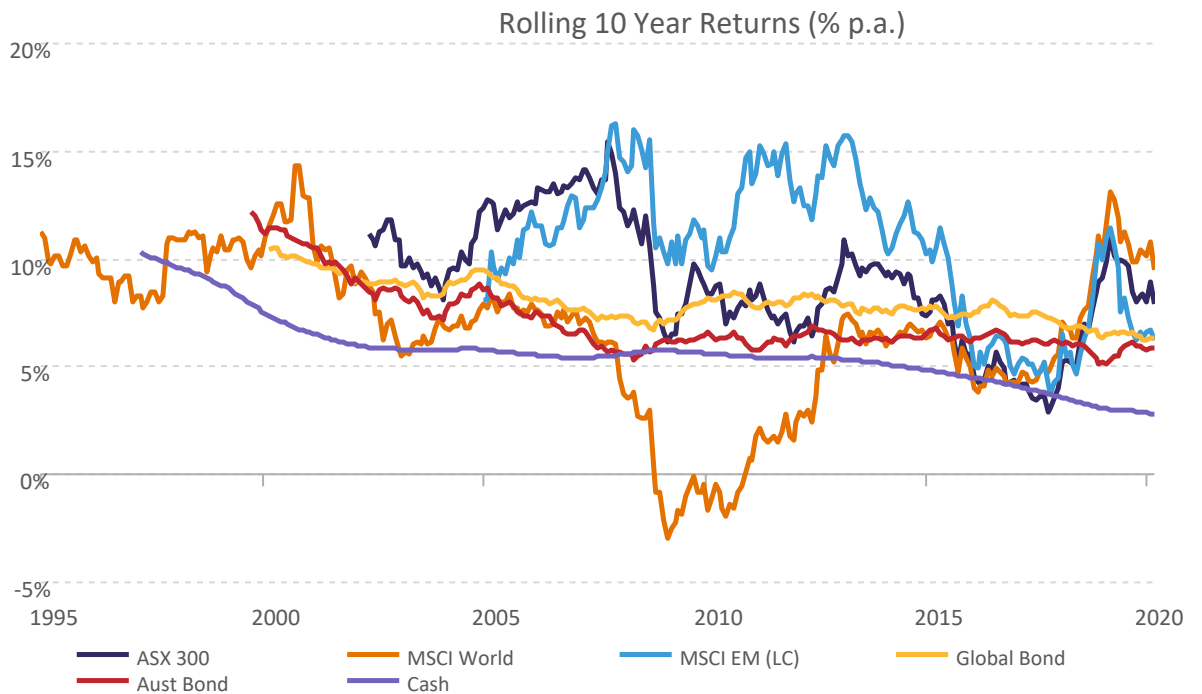
Source: Refinitiv Datastream

Relative Yields (vs bond or cash yield)

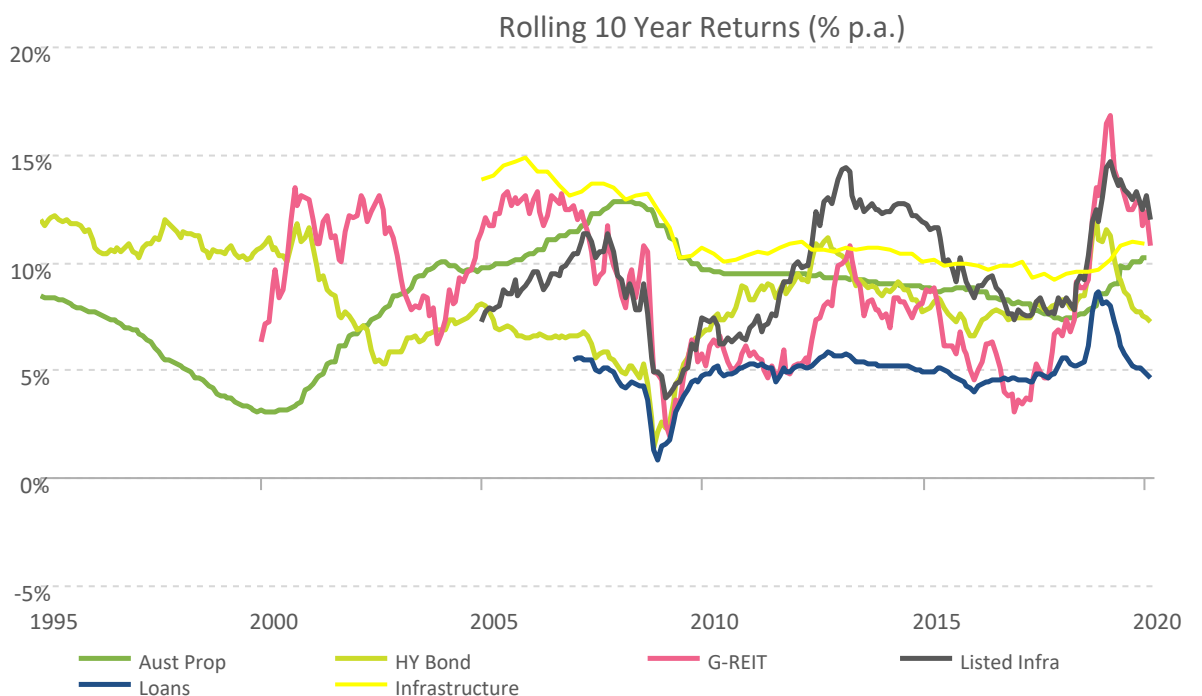


Source: Refinitiv Datastream

Asset Class Long-Term Returns



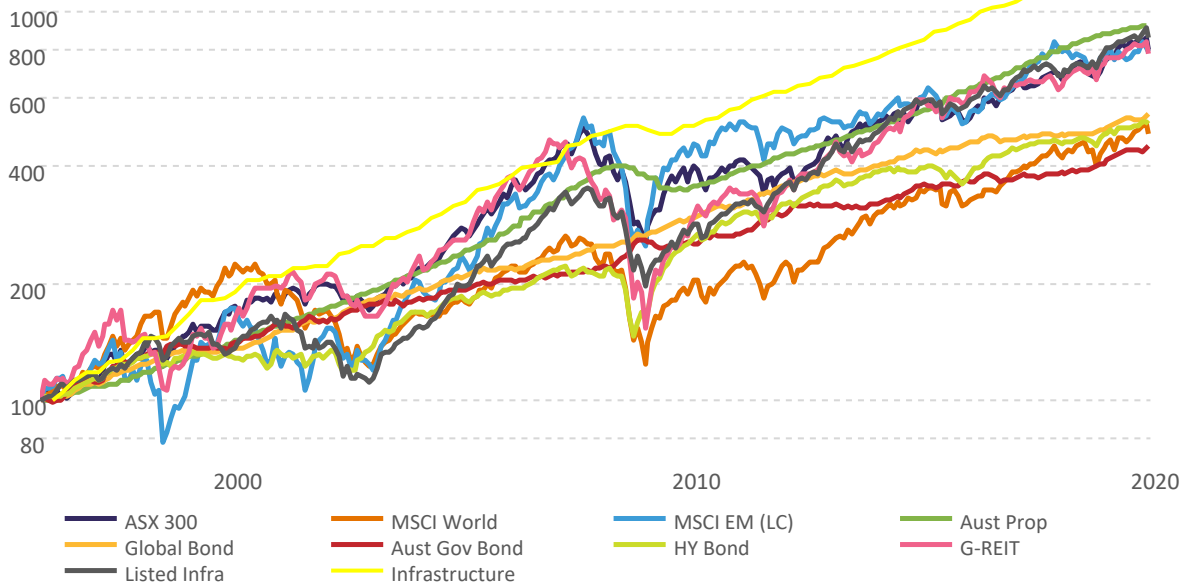
Source: Refinitiv Datastream



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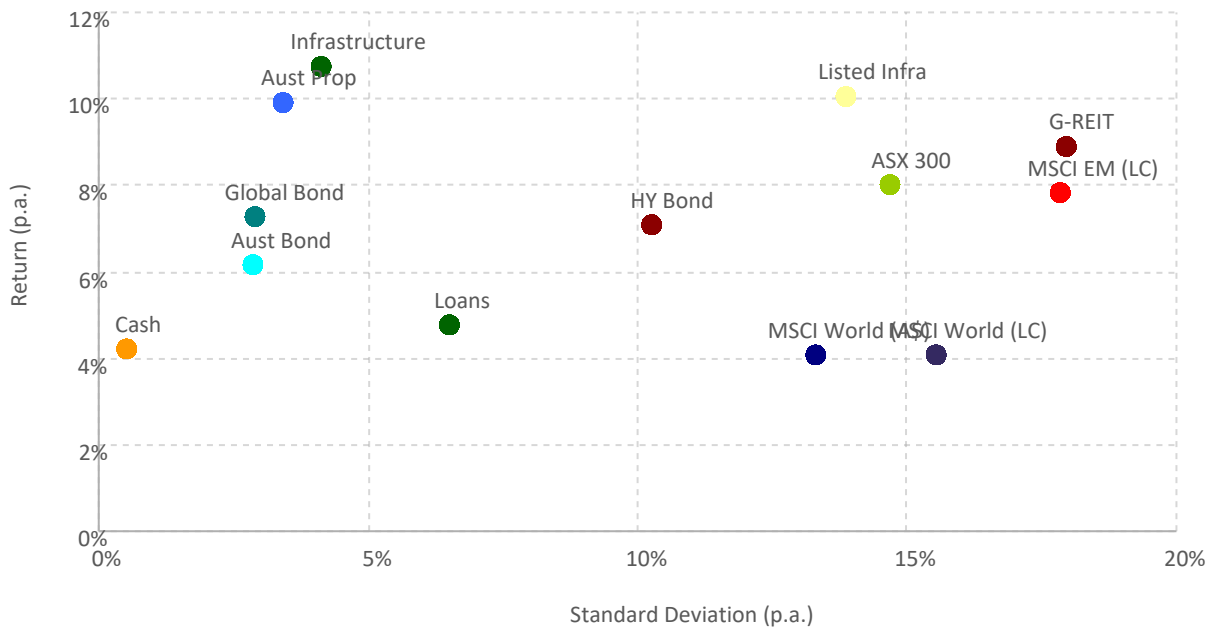
Asset Class Long-Term Returns

Cumulative Values since 1/01/1996 (\$100 reinvested)



Source: Refinitiv Datastream

Return-Risk Profile over 20 Years (p.a.) to Feb 20



Source: Refinitiv Datastream

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