

# Monthly Market Snapshot

MARCH 2020

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

**FRONTIER**  
ADVISORS



# Market Commentary

Global equity markets continued to fall sharply as the COVID-19 outbreak evolved into a global pandemic. While the outbreak decelerated in China, the number of cases in other countries approached 900,000 by the end of March. To counteract the contagion, governments across the globe have proceeded with the implementation of stricter quarantine measures on travel, social distancing and closure of educational institutions and non-essential businesses. A global recession this year now seems likely, with debate now focusing on the depth and duration rather than IF it will occur.

Economic activity in China data shows some signs of improvement in March with PMI data rebounding from a record low PMI. Retail data show sales were down 20% in February, and while there has been signs of an increase in activity over March, they remain below typical levels. Authorities eased credit conditions in an attempt to avoid large increases of unemployment and non-performing loans that would subsequently impact heavily on economic conditions. China's coal consumption remains 20% below the usual average for this time of year. The key area to watch in coming months will be whether or not a new wave of infections occur as quarantine measures are relaxed as infection rates slow.

Globally, aggressive monetary and fiscal policy have continued throughout March as governments attempt to curb the negative impacts of COVID-19. This included the Federal Reserve cutting policy rates to close to zero, the Reserve Bank of Australia indicating that the cash rate would stay at a very low level for a prolonged period, and the ECB announcing its intention to introduce a debt-buying program.

Domestically, the Australian Government announced broader quarantine measures including state border closures and tighter travel restrictions. As a result, Australian equities continued to follow the trend of the global equity market, producing negative returns over the month.

The RBA indicated it was developing a complementary program of support for non-bank financial institutions, small lenders, and the securitisation market which would be implemented by the Australian Office of Financial Management (AOFM). The RBA advised that it was not possible to provide updated forecasts for the economy given the high uncertainty of COVID-19, but Australia would be likely to experience a material contraction in economic activity across the March and June quarters and potentially longer. Crude oil and commodity prices were the worst performers over the month with the oil price falling more than 60 percent since January 20. This continues to impact the Australian dollar, which depreciated further against major currencies over the month.

US economic conditions fell sharply as the number of COVID-19 outbreaks exceeded any other country. A stimulus package equating to 10% GDP was announced over the month which in turn increases jobless benefits for the coming months. The jobless claims exceeded 6 million, a historical high. The other key development in the US is the Democratic Party presidential primaries, with the announcement of Bernie Sanders suspending his campaign and bowing out to Joe Biden.

In Europe, France, Spain and Germany joined the Italians in enforcing nation-wide quarantine restrictions and expansive fiscal support. Composite PMI for the Euro area dropped sharply in March, and has now contracted for 14 consecutive months. Japan confirmed that the summer Olympics would be postponed to 2021 and announced school closures in an effort to contain its domestic COVID-19 outbreak. Services PMI experienced its lowest-ever level at 28.4, while the manufacturing index fell 3 points to 44.8; the lowest since the global financial crisis.

Bond markets delivered fairly neutral returns in March, impacted by ongoing easing monetary policy and continued uncertainty about the severity and duration of the coronavirus outbreak.

Listed property and infrastructure followed the broader equity markets in March and fell sharply over the month.

# March 2020



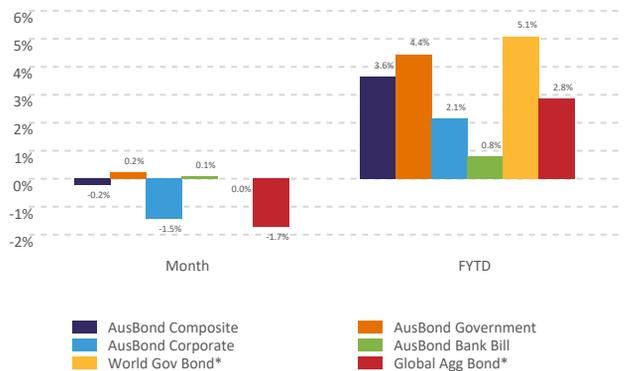
## Australian Equities



Source: Refinitiv Datastream



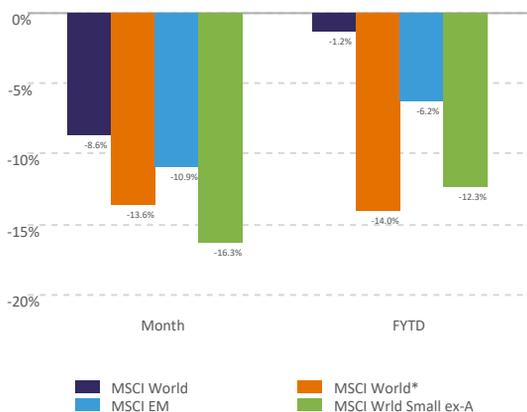
## Fixed Income



Source: Refinitiv Datastream \*Hedged AS



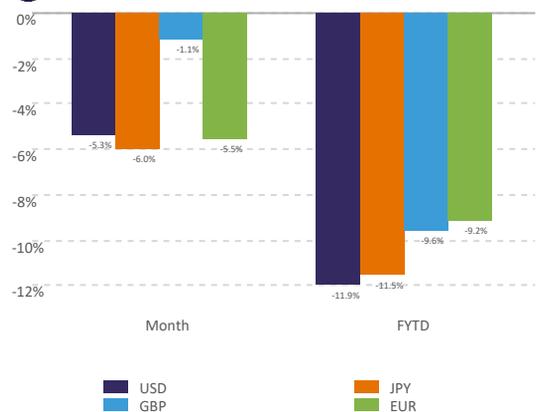
## International Equities (\$A)



Source: Refinitiv Datastream \*Hedged AS



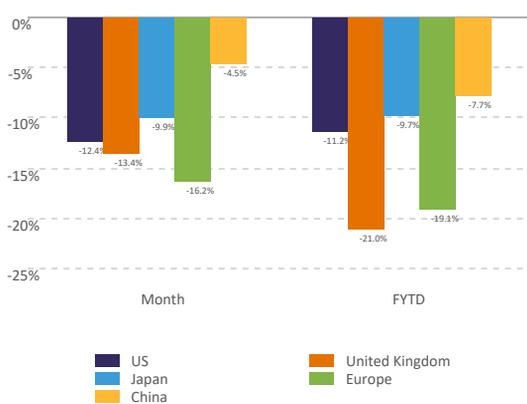
## Australian Dollar



Source: Refinitiv Datastream



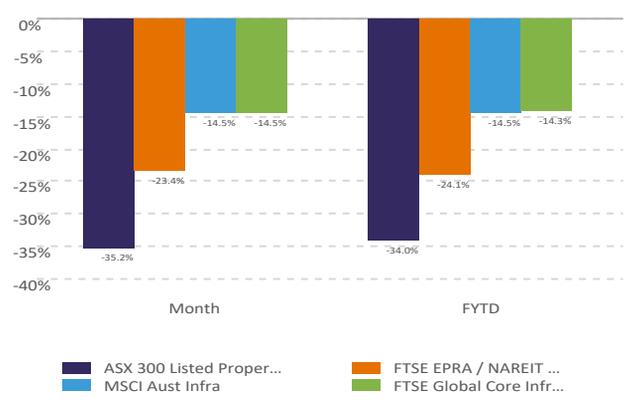
## International Equities



Source: Refinitiv Datastream



## Property



Source: Refinitiv Datastream \*Hedged AS

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

# March 2020

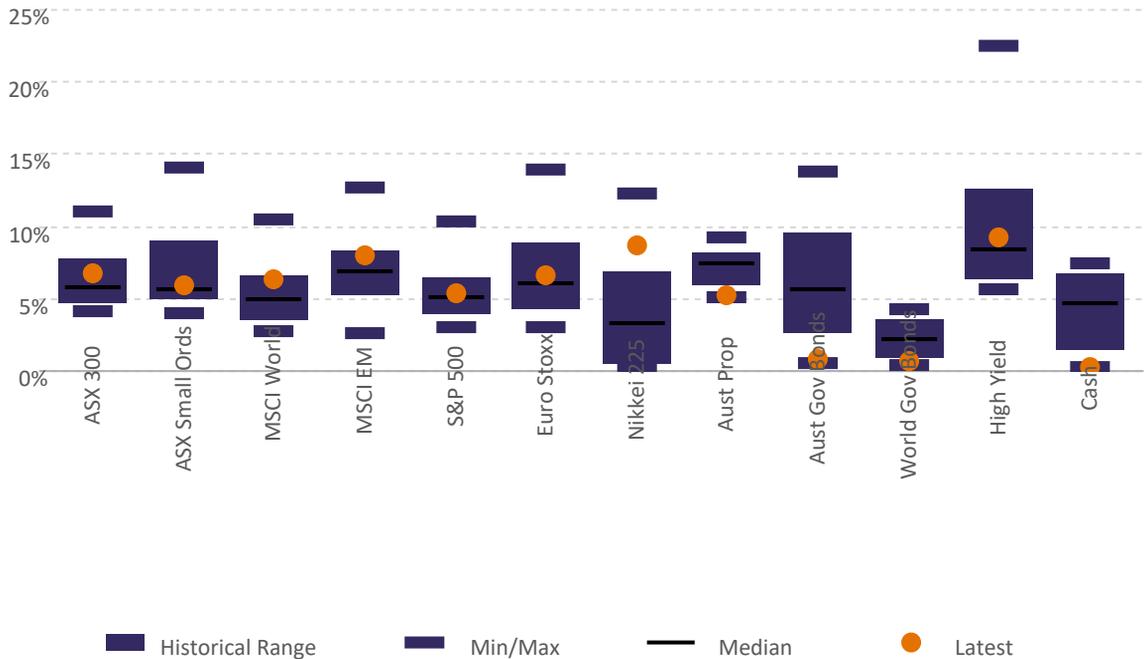
	Index value	Month	3 months	FYTD	1 year
<b>Australian Equities</b>					
 S&P/ASX 300 Accum. Index	54,885	-20.8%	-23.4%	-20.9%	-14.5%
S&P/ASX 300 Accum. Industrials Index	109,870	-21.6%	-22.2%	-19.2%	-12.1%
S&P/ASX 300 Accum. Resources Index	43,769	-17.5%	-28.0%	-27.3%	-23.6%
ASX Small Caps Accum. Index	6,317	-22.4%	-26.7%	-23.9%	-21.0%
<b>International Equities</b>					
 MSCI World ex-Aus Index (\$A)*	10,088	-8.3%	-9.0%	-0.7%	4.4%
MSCI World ex-Aus Index (Hedged \$A)*	1,516	-13.4%	-21.1%	-14.0%	-11.1%
MSCI Emerging Markets Index (\$A)*	659	-10.9%	-12.3%	-6.2%	-4.5%
MSCI World ex-Aus Small Cap Index (\$A)	511	-16.6%	-19.8%	-13.3%	-11.0%
US (S&P 500 Index in USD)	2,585	-12.5%	-20.0%	-12.1%	-8.8%
United Kingdom (FTSE 100 Index in GBP)	5,672	-13.8%	-24.8%	-23.6%	-22.1%
Japan (Nikkei 225 Index in JPY)	18,917	-10.5%	-20.0%	-11.1%	-10.8%
Europe (Stoxx 50 Index in EUR)	2,787	-16.3%	-25.6%	-19.8%	-16.9%
China (Shanghai Composite Index in CNY)	2,750	-4.5%	-9.8%	-7.7%	-11.0%
<b>AUD versus ...</b>					
 USD	0.61	-5.7%	-12.6%	-12.7%	-13.6%
JPY	66.85	-6.0%	-12.2%	-11.5%	-14.8%
GBP	0.50	-1.1%	-6.3%	-9.6%	-7.7%
EUR	0.56	-5.5%	-10.4%	-9.2%	-11.2%
<b>Property</b>					
 ASX 300 Listed Property Trusts Accum. Index	38,103	-35.2%	-34.3%	-34.0%	-31.3%
FTSE EPRA / NAREIT Dev. Index (Hedged \$A)*	2,118	-23.4%	-28.6%	-24.1%	-24.5%
<b>Oil and Commodities</b>					
 Crude Oil (\$/bbl)	20	-54.2%	-66.5%	-65.0%	-65.9%
Copper Spot (\$/tonne)	4,939	-12.1%	-19.7%	-17.4%	-23.9%
Gold Spot (\$/ounce)	1,597	1.6%	4.0%	11.1%	19.7%
<b>Australian Fixed Interest</b>					
 Bloomberg AusBond Composite Index	10,546	-0.2%	3.0%	3.6%	6.8%
Bloomberg AusBond Government Index	11,159	0.2%	4.1%	4.4%	8.0%
Bloomberg AusBond Corporate Index	10,625	-1.5%	0.7%	2.1%	4.9%
Bloomberg AusBond Bank Bill Index	9,010	0.1%	0.3%	0.8%	1.2%
<b>Global Fixed Interest</b>					
 FTSE WGBI ex-Aus (Hedged \$A)	2,594	0.0%	3.9%	5.1%	8.1%
Barclay's Global Agg. Bond Index (Hedged \$A)	-	-1.7%	1.3%	2.8%	5.6%
<b>Fixed Income (yields) as at ...</b>					
 Australia Bank Bill	0.36	0.80	0.91	1.21	1.77
Australia 10-Year Government Bond	0.76	0.82	1.37	1.32	1.78
US 10-Year Government Bond	0.67	1.15	1.92	2.01	2.41
UK 10-Year Government Bond	0.36	0.44	0.82	0.83	1.00
Germany 10-Year Government Bond	-0.47	-0.61	-0.19	-0.33	-0.07
Japan 10-Year Government Bond	0.02	-0.15	-0.01	-0.16	-0.08

Source: Bloomberg

\*Net dividends reinvested

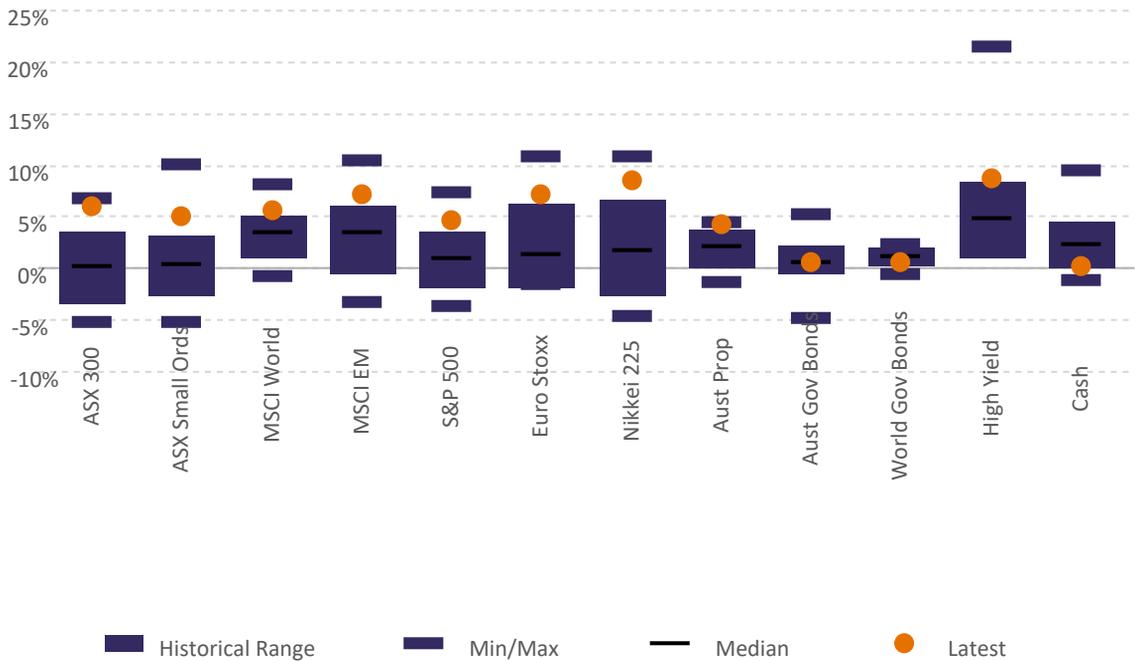
# Asset Class Yields Relative to History

Current Yields (equities earnings)



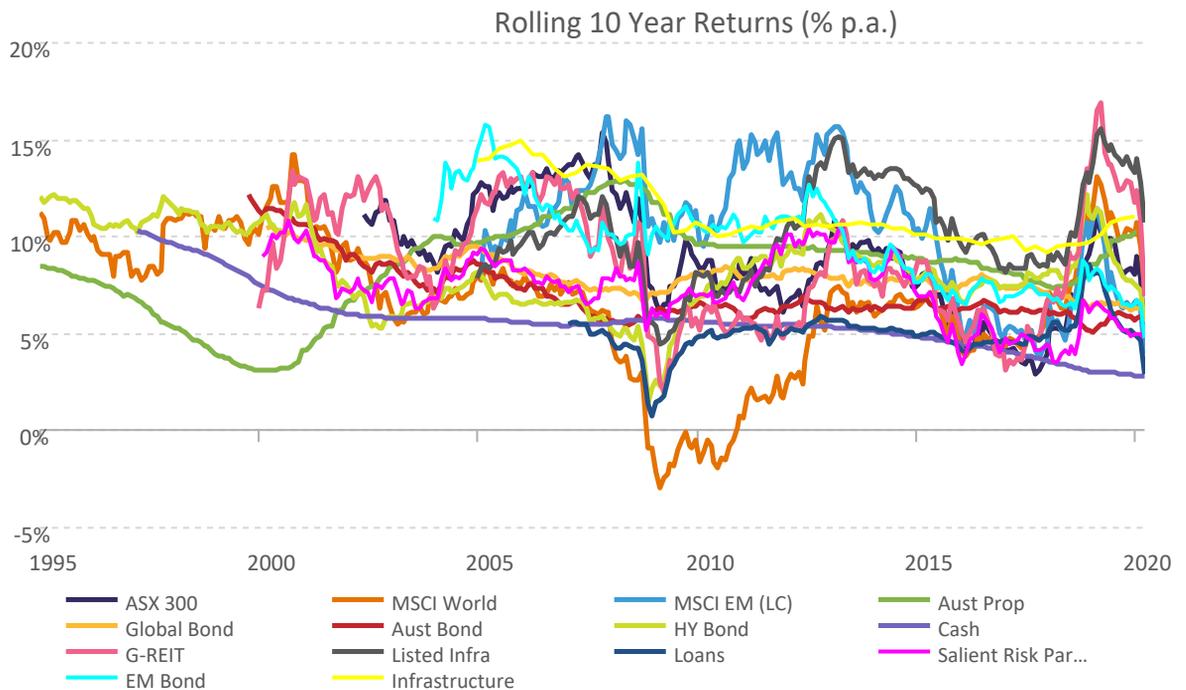
Source: Refinitiv Datastream

Relative Yields (vs bond or cash yield)

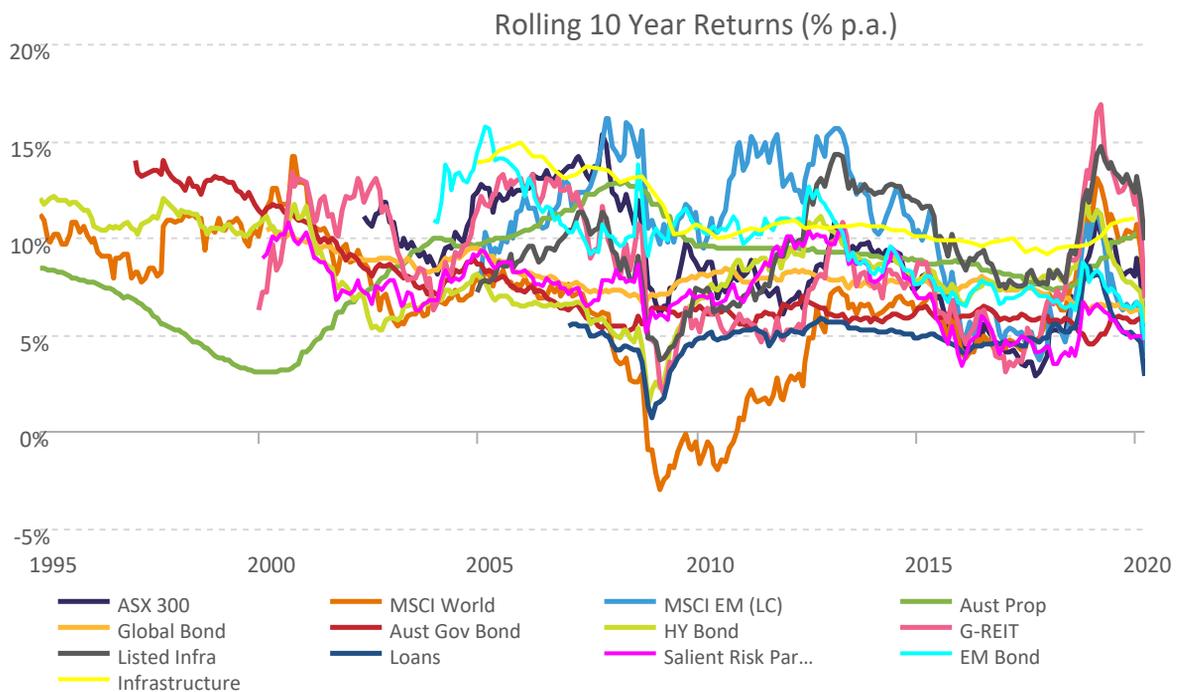


Source: Refinitiv Datastream

# Asset Class Long-Term Returns



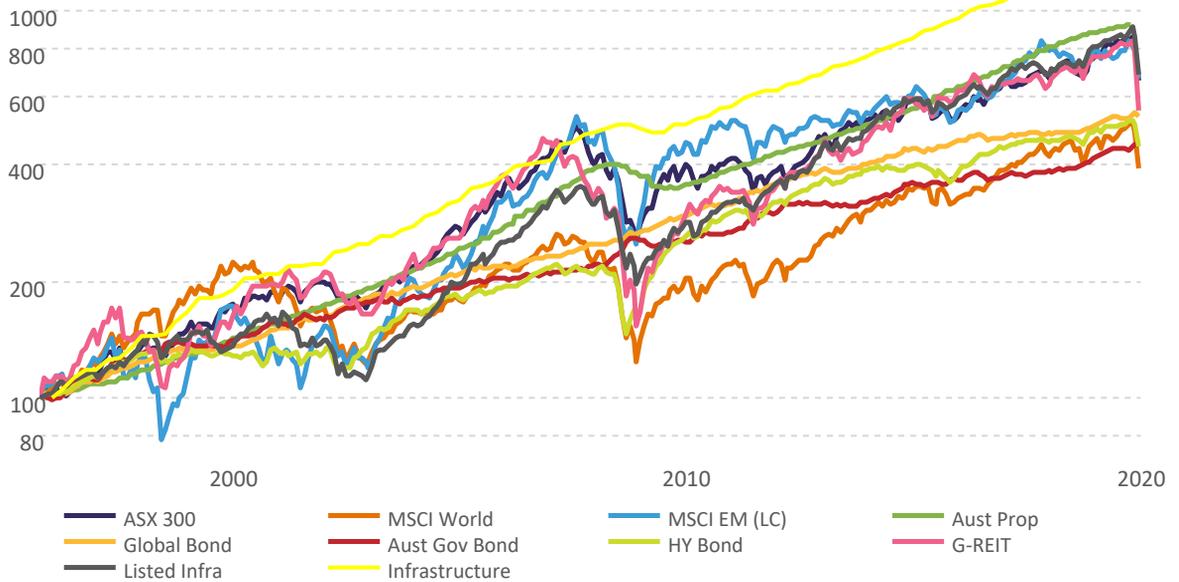
Source: Refinitiv Datastream



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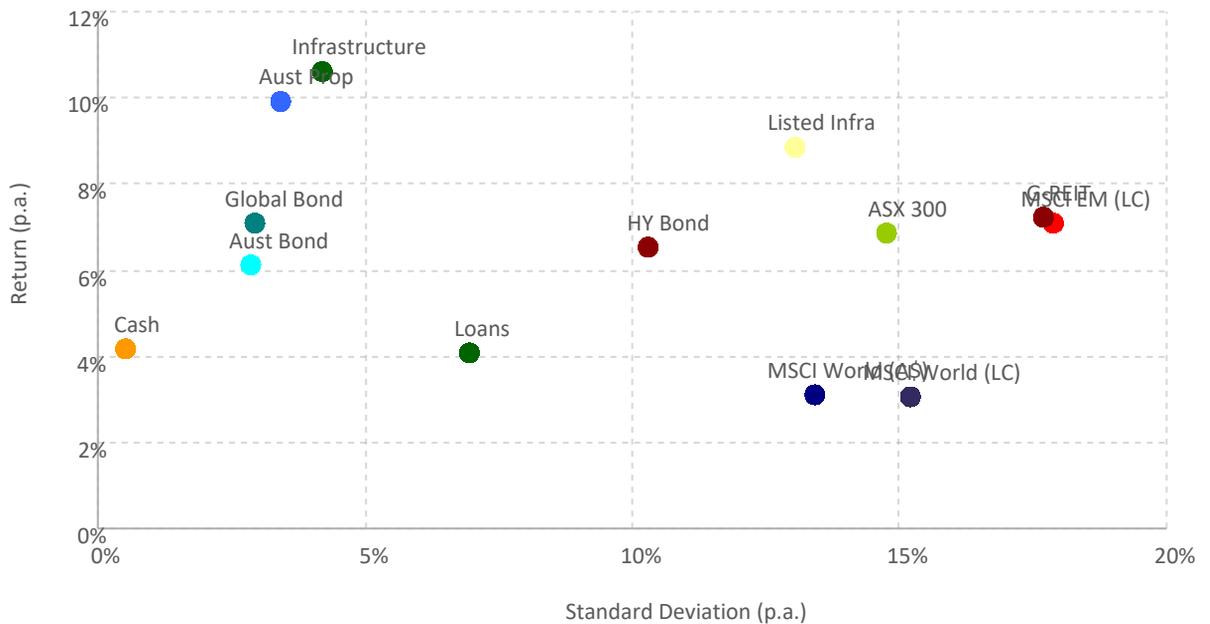
# Asset Class Long-Term Returns

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



Source: Refinitiv Datastream

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



Source: Refinitiv Datastream

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