

# Monthly Market Snapshot

MAY 2020

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

**FRONTIER**  
ADVISORS



# Market Commentary

Domestic and global equity markets rose materially over the month of May, as global risk sentiment improved thanks to declining COVID-19 infection rates and relaxation of mitigation measures in many countries. The medical situation remains varied across countries: in Australia new COVID-19 cases have continued to decline to small numbers; in Japan new cases are relatively low; in Europe new cases have fallen across the region although are still material; while in the US the new infection rate has fallen from peak levels (specifically in New York) but overall new cases remains significant. The equity market expansion also continued despite the negative economic data suggesting that the global economy was experiencing the biggest contraction since probably the 1930s.

Australian small caps rebounded particularly strongly in May returning more than 10% for the month, and the ASX Resources sector also rebounded strongly in the month benefiting from the rise in the oil and iron ore prices. The combination of easing mitigation restrictions and OPEC production cut announcements saw crude oil more than double in price from the lows in mid-April. However, the price of oil is still well down, at nearly half the price it was earlier in the year.

Chinese equities are one of the few equity markets where performance lagged in May. Partly this reflected previous relative outperformance but also that although its economy continued to open up ahead of much of the rest of the world, it is still not back at previous levels and there are concerns of political tensions with the US and potential new outbreaks of COVID-19.

While in a number of other emerging markets, such as Brazil, Russia, India and Indonesia, the COVID-19 medical situation worsened but equity markets were rising from low points.

Consistent with broad equity markets, listed property and infrastructure were also up for the month, particularly Australian listed property, although international listed property was flat.

The US Federal Reserve (Fed) announced no major adjustments to policy for the month, noting its hesitance to using negative rates. Similarly, the RBA announced its intention to not raise the cash rate target until progress is made towards full employment and it is confident that inflation will be sustainably within the 2-3% target band. While, the European Central Bank (ECB) enacted its purchase program and bought over EUR 125 bn in government and corporate bonds.

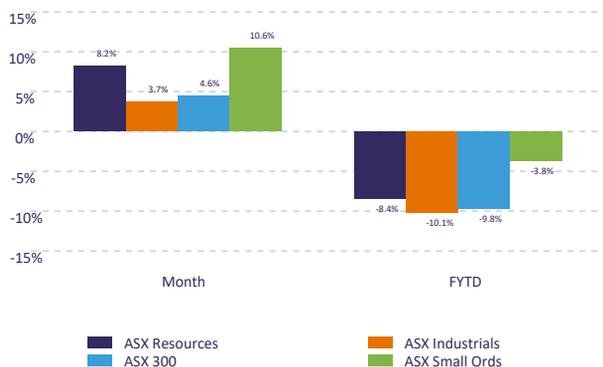
Bond yields were little changed over the month and therefore returns were broadly flat. Fixed interest markets continue to be heavily impacted by central bank activity, including bond-buying programs targeting certain bond yields. The “risk-on” sentiment also flowed through to falling credit spreads providing some additional return to corporate bonds.

The Australian dollar appreciated over the month, although fell against the Euro. The Australian dollar has now recovered a significant proportion of its fall in response to the COVID-19 outbreak. Rising commodity prices have been a positive contributor to the increase in the currency value.

# May 2020



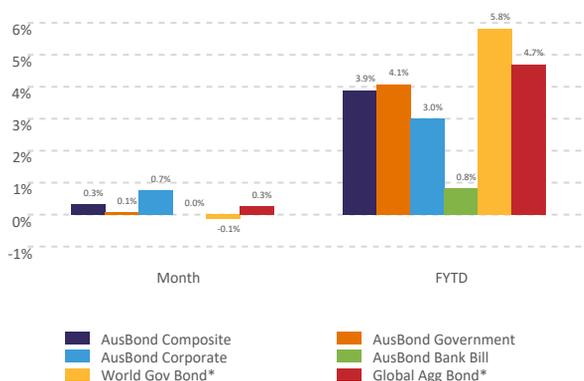
## Australian Equities



Source: Refinitiv Datastream



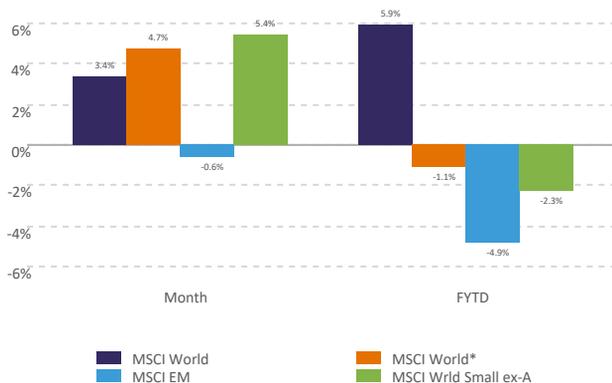
## Fixed Income



Source: Refinitiv Datastream \*Hedged AS



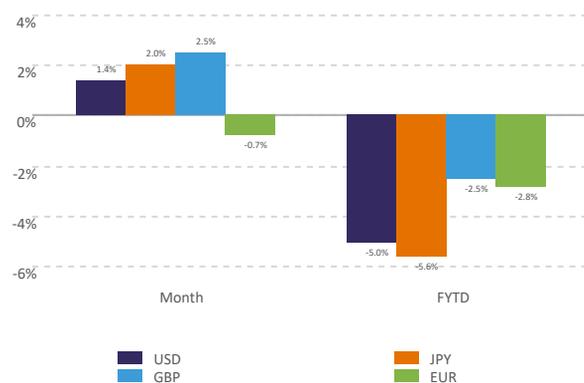
## International Equities (\$A)



Source: Refinitiv Datastream \*Hedged AS



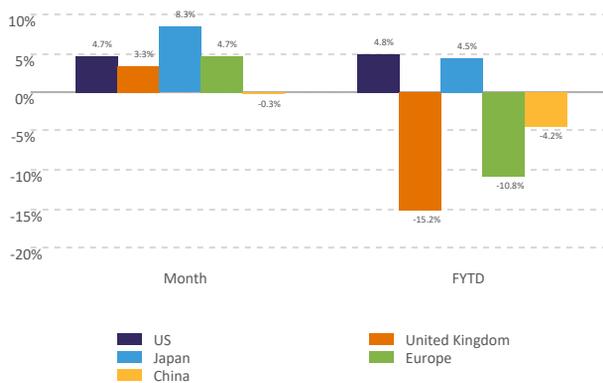
## Australian Dollar



Source: Refinitiv Datastream



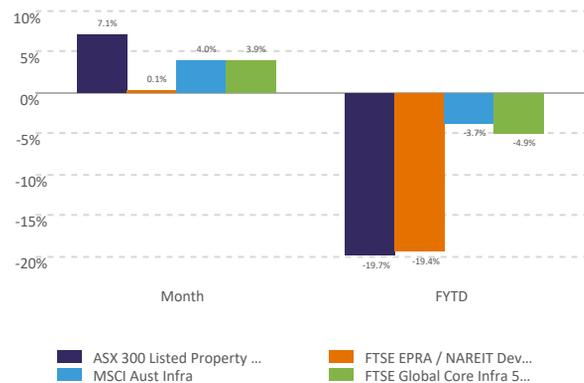
## International Equities



Source: Refinitiv Datastream



## Real Assets



Source: Refinitiv Datastream \*Hedged AS

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

# May 2020

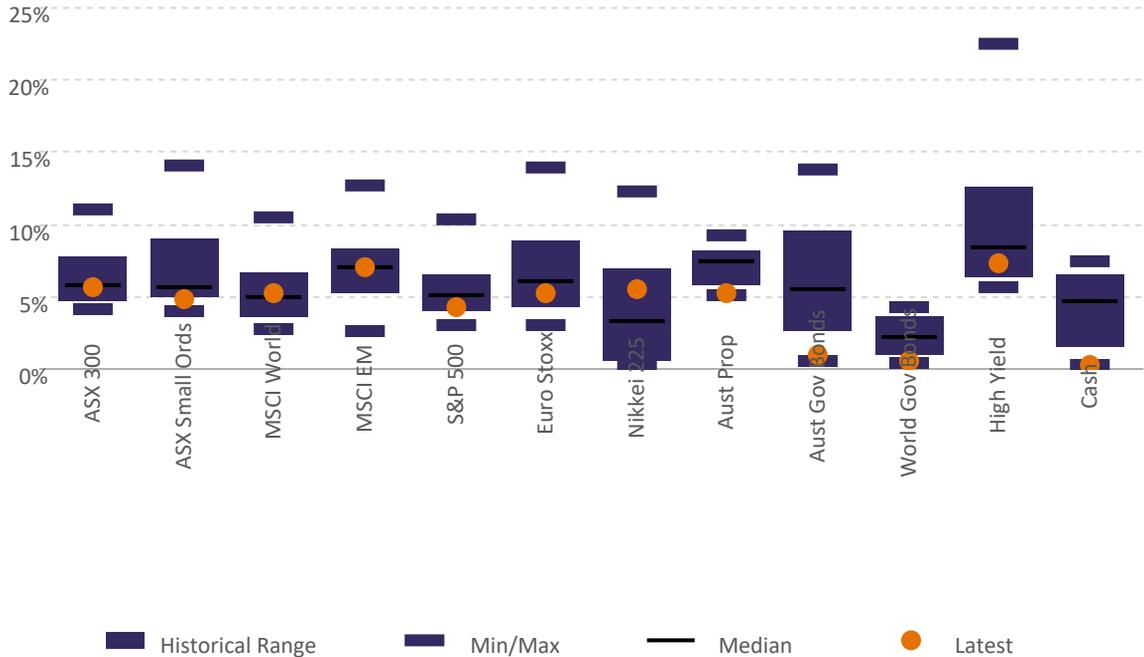
	Index Value	Month	3 Months	FYTD	1 Year
 <b>Australian Equities</b>					
S&P/ASX 300 Accum. Index	5,727	4.6%	-9.7%	-9.8%	-7.1%
S&P/ASX 300 Accum. Industrials Index	8,787	3.7%	-12.7%	-10.1%	-7.8%
S&P/ASX 300 Accum. Resources Index	4,320	8.2%	3.8%	-8.4%	-4.3%
ASX Small Caps Accum. Index	2,658	10.6%	-1.9%	-3.8%	-4.4%
 <b>International Equities</b>					
MSCI World ex-Aus Index (\$A)	3,708	3.4%	-1.8%	6.4%	10.7%
MSCI World ex-Aus Index (Hedged \$A)	2,811	4.8%	0.6%	-0.2%	5.0%
MSCI Emerging Markets Index (\$A)	1,012	-0.6%	-9.6%	-4.9%	0.8%
MSCI World ex-Aus Small Cap Index (\$A)	452	5.4%	-6.8%	-2.3%	0.9%
US (S&P 500 Index in USD)*	3,044	4.5%	3.0%	3.5%	9.4%
United Kingdom (FTSE 100 Index in GBP)*	6,077	3.0%	-7.7%	-18.2%	-15.4%
Japan (Nikkei 225 Index in JPY)*	21,878	8.3%	3.5%	2.8%	4.2%
Europe (Stoxx 50 Index in EUR)*	3,050	4.2%	-8.4%	-12.2%	-7.5%
China (Shanghai Composite Index in CNY)*	2,852	-0.3%	-1.0%	-4.2%	-2.1%
 <b>AUD versus ...</b>					
USD	0.67	1.4%	2.1%	-5.0%	-3.9%
JPY	71.32	2.0%	0.3%	-5.6%	-5.8%
GBP	0.54	2.5%	6.5%	-2.5%	-1.4%
EUR	0.60	-0.7%	1.1%	-2.8%	-3.4%
 <b>Real Assets</b>					
ASX 300 Listed Property Trusts Accum. Index	1,236	7.1%	-21.1%	-19.7%	-17.5%
FTSE EPRA / NAREIT Dev. Index (Hedged \$A)	1,395	0.1%	-18.5%	-19.4%	-18.8%
MSCI Australia Infrastructure	1,244	4.0%	-3.7%	-3.7%	3.0%
FTSE Global Core Infra 50/50 Index (Hedged \$A)	2,182	3.9%	-5.1%	-4.9%	-1.2%
 <b>Oil and Commodities</b>					
Crude Oil (US\$/bbl)	33.7	78.9%	-28.4%	-42.1%	-42.7%
Copper Spot (US\$/tonne)	5,352	3.7%	-4.7%	-10.5%	-8.6%
Gold Spot (US\$/ounce)	1,732	1.6%	9.1%	22.6%	35.1%
 <b>Australian Fixed Interest</b>					
Bloomberg AusBond Composite Index	10,569	0.3%	0.0%	3.9%	4.9%
Bloomberg AusBond Government Index	11,121	0.1%	-0.1%	4.1%	5.2%
Bloomberg AusBond Corporate Index	10,715	0.7%	-0.6%	3.0%	3.9%
Bloomberg AusBond Bank Bill Index	9,015	0.0%	0.2%	0.8%	1.0%
 <b>Global Fixed Interest</b>					
FTSE WGBI ex-Aus (Hedged \$A)	2,619	-0.1%	0.7%	5.8%	7.2%
Barclay's Global Agg. Bond Index (Hedged \$A)	1,091	0.3%	0.0%	4.7%	6.4%
 <b>Fixed Income (yields) as at ...</b>	<b>May 2020</b>	<b>Apr 2020</b>	<b>Feb 2020</b>	<b>Jun 2019</b>	<b>May 2019</b>
Australia Bank Bill	0.09	0.11	0.79	1.22	1.43
Australia 10-Year Government Bond	0.90	0.93	0.86	1.32	1.49
US 10-Year Government Bond	0.64	0.63	1.13	2.00	2.24
UK 10-Year Government Bond	0.18	0.29	0.44	0.83	0.89
Germany 10-Year Government Bond	-0.45	-0.48	-0.61	-0.33	-0.17
Japan 10-Year Government Bond	0.01	-0.04	-0.15	-0.16	-0.09

Source: Refinitiv Datastream

\*Price Index

# Asset Class Yields Relative to History

Current Yields (equities earnings)



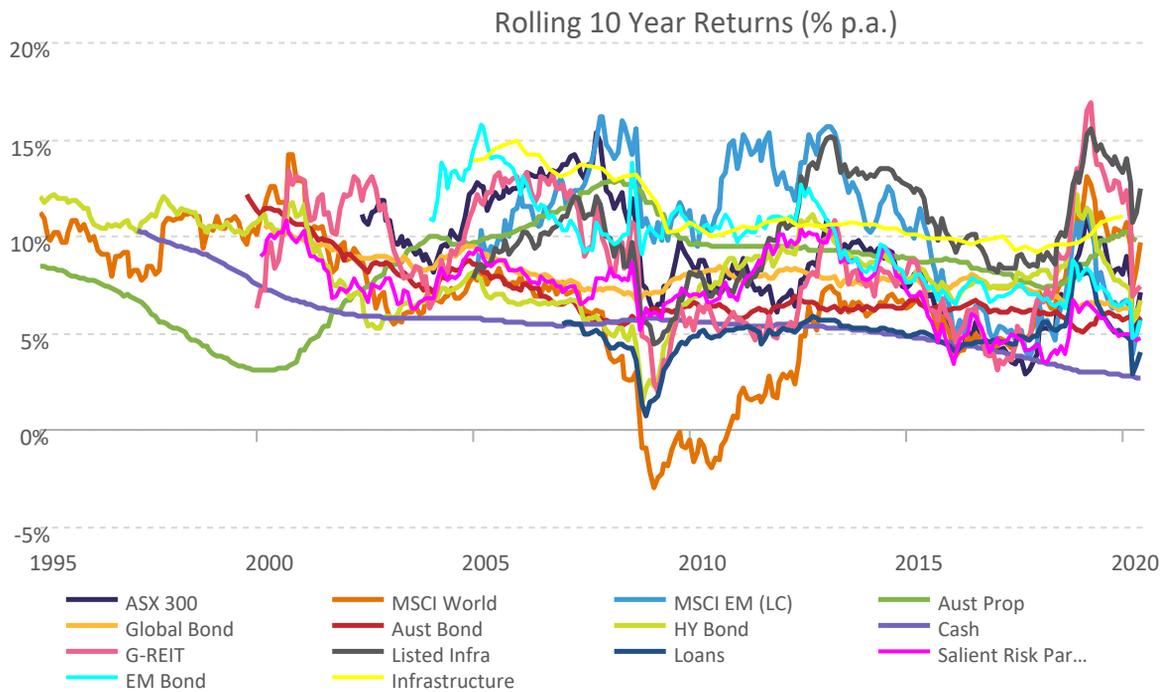
Source: Refinitiv Datastream

Relative Yields (vs bond or cash yield)

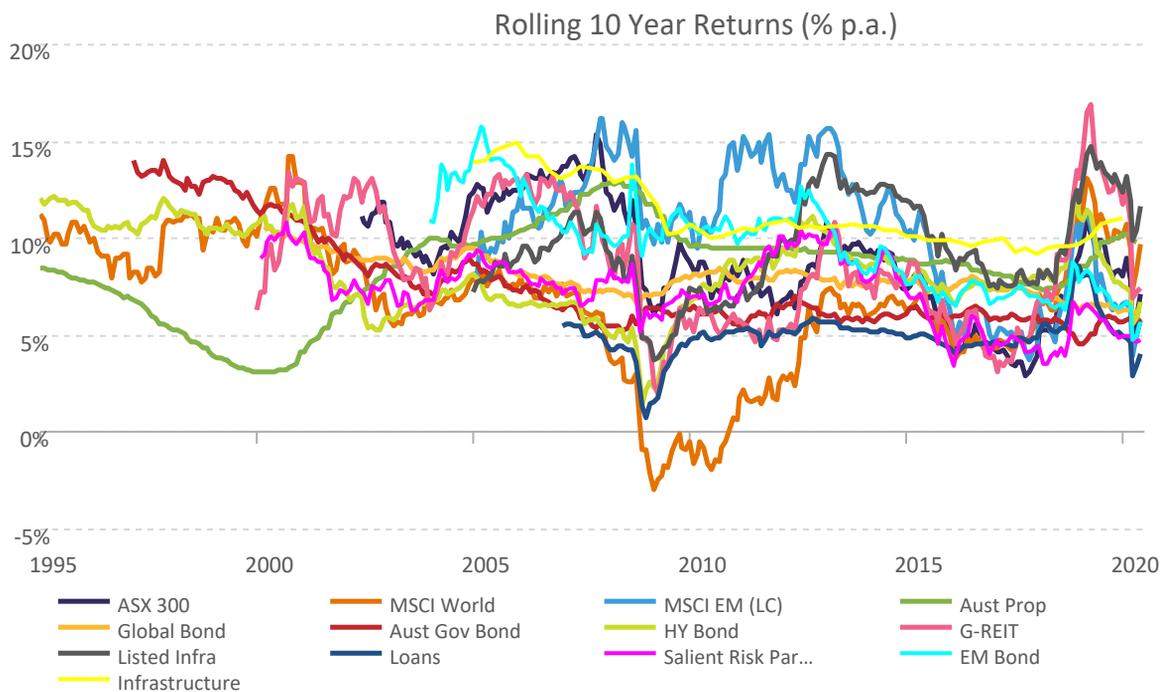


Source: Refinitiv Datastream

# Asset Class Long-Term Returns



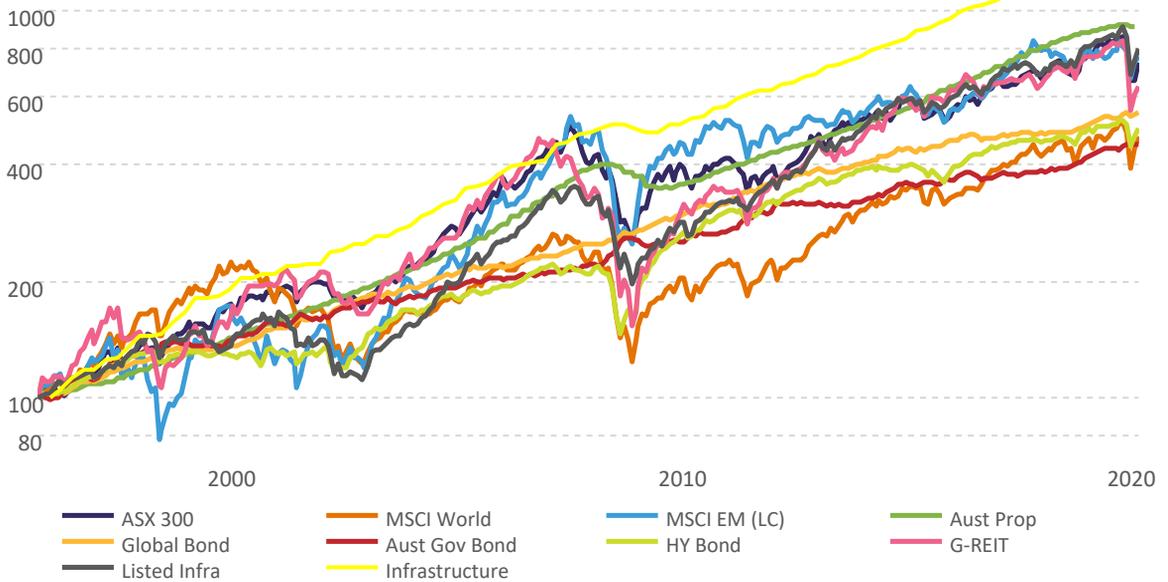
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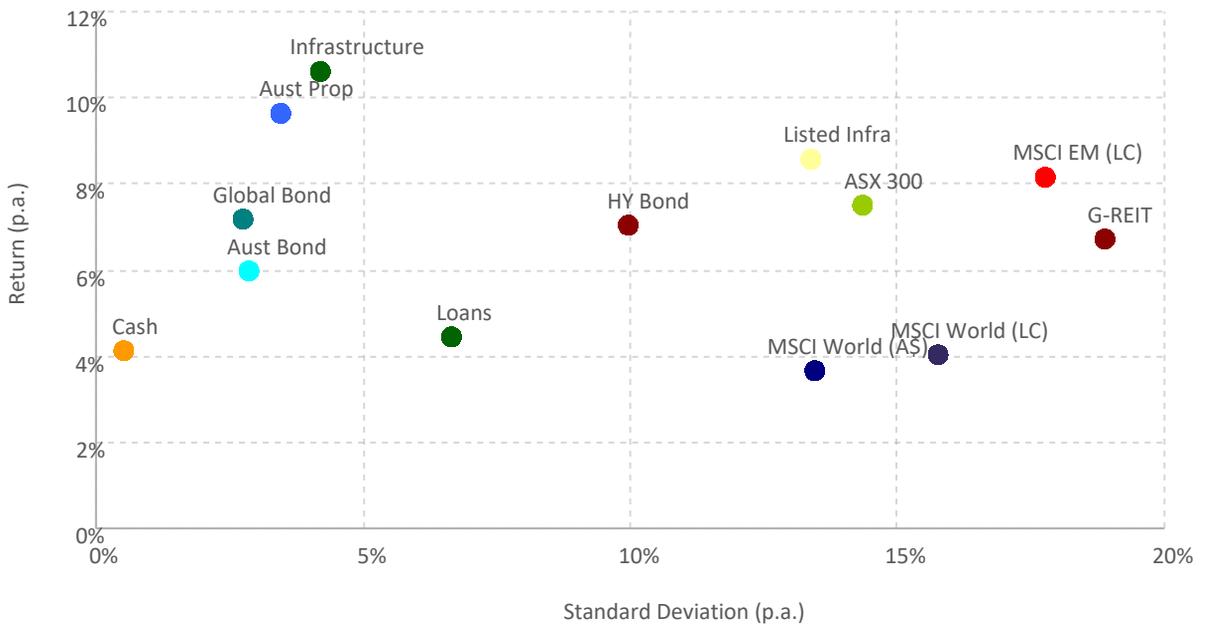
# Asset Class Long-Term Returns

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



Source: Refinitiv Datastream

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



Source: Refinitiv Datastream

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