

Monthly Market Snapshot

APRIL 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 rebounded strongly in April in reaction to substantial global fiscal and monetary responses to alleviate the economic impact of the COVID-19 pandemic, the first indications of economic re-opening, and optimism around possible treatments for the virus. Dispersion in performance between sectors and countries however was wide; it is notable that US equities, and the information technology sector were particularly strong performers, while European and UK equity markets lagged.

While the total global cases of COVID-19 passed three million in April, the number of new daily cases showed signs of plateauing or declining in some advanced economies. This 'flattening of the curve' prompted moves to ease some lockdown restrictions across Europe, Asia and the US by month end. Focus now turns on the risks of second waves of contagion.

April also brought new evidence of the extent of collapse in economic activity. In the USA the flash composite PMI collapsed to an all-time low of 27.4. Flash composite PMI for the euro area collapsed 13.5 points from 31.4 in March and GDP contracted at an annualised rate of 14.4% in the first quarter. Japan's government declared a state of emergency in Tokyo and surrounds after a spike of confirmed COVID-19 cases, while consumer sentiment plunged further to a new historical low.

Demand for oil fell 30% over the course of the month as a result of the strict global lockdown, resulting in a swelling of supply that had storage tanks at maximum capacity.

Globally, central banks continued with monetary and fiscal policy easing. The ECB announced a new pandemic emergency longer-term loan which will provide liquidity support to the euro area financial system.

The Federal Reserve expanded the scope and eligibility for several credit facilities and the fiscal responses continued at a large scale with President Trump announcing a \$484 billion spending package in support of small businesses. The Bank of Japan expanded purchases of government bonds and corporate debt. Emerging Markets and Developing Economies (EMDEs) central banks implemented policy rate cuts in Mexico, Pakistan, Poland, Russia, South Africa, China and Turkey.

Unlike the rest of the world, China saw some increase in economic activity over April, with 84% of small and medium-sized corporations resuming operations. Data indicated import and export numbers have improved over the month. Production, retail sales and investment all showed signs of recovery. Authorities continued monetary policy easing with The People's Bank Of China cutting the required reserve ratio for small and medium-sized banks and The State Council announcing additional credit support to SMEs.

Domestically, quarantine measures remained in place for most states in Australia over the month but the number of active COVID -19 cases decreased leading to positive sentiment that mitigation measures have been successful. As a result, Australian equities rallied as sentiment grew more optimistic about easing social restrictions and economic reopening.

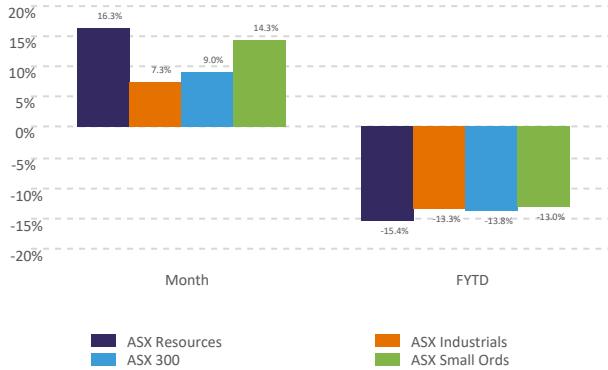
The RBA meeting on 7 April indicated that the Bank has bought around \$36 billion of government bonds (the amount of government bonds outstanding is over \$500 billion) in secondary markets since the quantitative easing started.

Listed property and infrastructure followed the broader equity markets in April and increased over the month. However, they remain one of the hardest hit sectors of the market since the downturn began.

April 2020



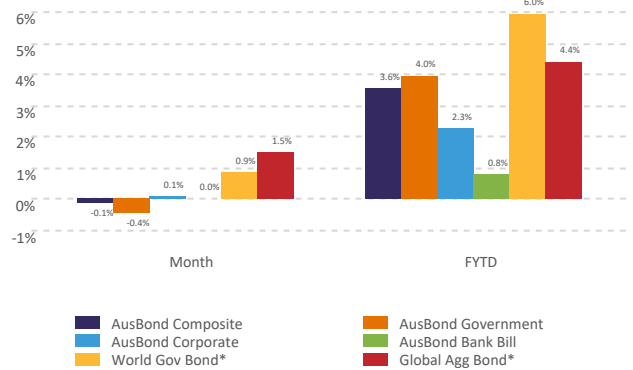
Australian Equities



Source: Refinitiv Datastream



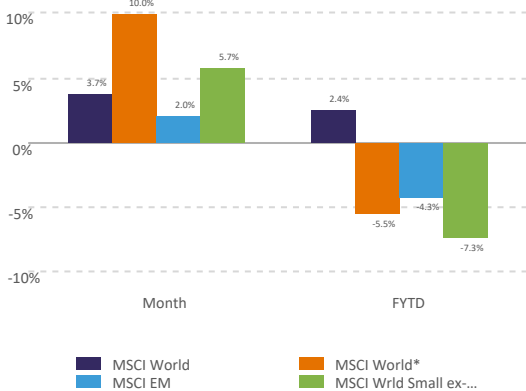
Fixed Income



Source: Refinitiv Datastream *Hedged A\$



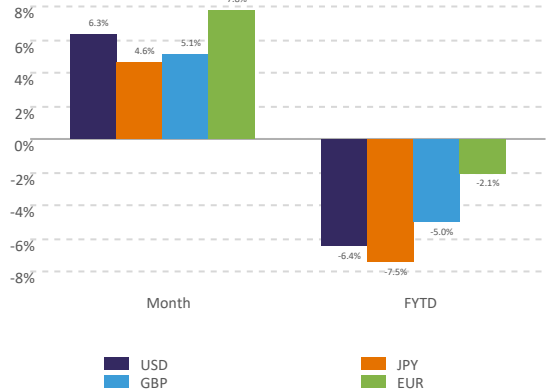
International Equities (\$A)



Source: Refinitiv Datastream *Hedged A\$



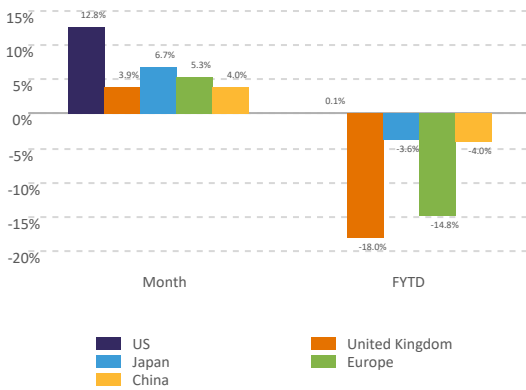
Australian Dollar



Source: Refinitiv Datastream



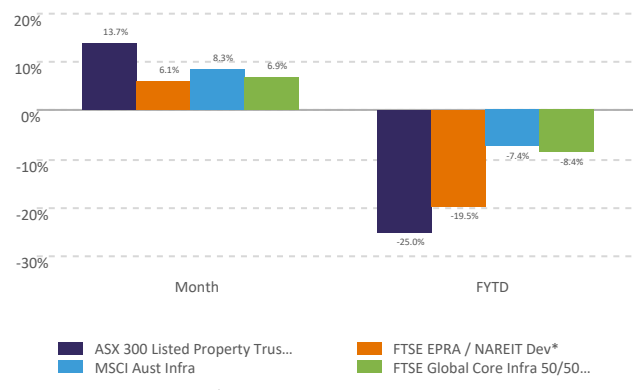
International Equities



Source: Refinitiv Datastream











Property



Source: Refinitiv Datastream *Hedged A\$

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

April 2020

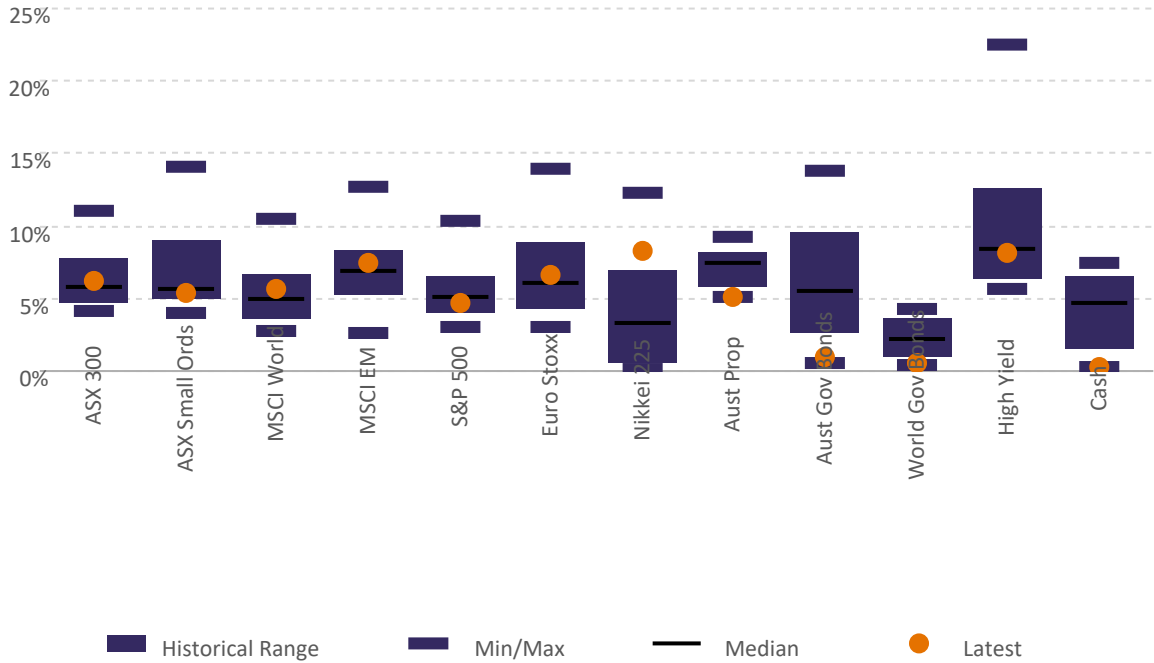
	Index value	Month	3 months	FYTD	1 year
Australian Equities					
 S&P/ASX 300 Accum. Index	59,837	9.0%	-20.4%	-13.8%	-9.1%
S&P/ASX 300 Accum. Industrials Index	117,910	7.3%	-21.2%	-13.3%	-9.1%
S&P/ASX 300 Accum. Resources Index	43,769	16.3%	-16.8%	-15.4%	-8.9%
ASX Small Caps Accum. Index	7,218	14.3%	-19.0%	-13.0%	-13.3%
International Equities					
 MSCI World ex-Aus Index (\$A)*	10,453	3.6%	-9.6%	2.9%	3.5%
MSCI World ex-Aus Index (Hedged \$A)*	1,667	10.0%	-12.8%	-5.4%	-5.8%
MSCI Emerging Markets Index (\$A)*	672	2.0%	-10.6%	-4.3%	-5.4%
MSCI World ex-Aus Small Cap Index (\$A)	540	5.6%	-16.9%	-8.4%	-9.6%
US (S&P 500 Index in USD)	2,912	12.7%	-9.7%	-1.0%	-1.1%
United Kingdom (FTSE 100 Index in GBP)	5,901	4.0%	-19.0%	-20.5%	-20.4%
Japan (Nikkei 225 Index in JPY)	20,194	6.7%	-13.0%	-5.1%	-9.3%
Europe (Stoxx 50 Index in EUR)	2,928	5.1%	-19.6%	-15.7%	-16.7%
China (Shanghai Composite Index in CNY)	2,860	4.0%	-3.9%	-4.0%	-7.1%
AUD versus ...					
 USD	0.65	6.2%	-2.6%	-7.2%	-7.6%
JPY	69.91	4.6%	-4.7%	-7.5%	-10.9%
GBP	0.53	5.1%	2.5%	-5.0%	-3.3%
EUR	0.60	7.8%	-0.9%	-2.1%	-4.0%
Property					
 ASX 300 Listed Property Trusts Accum. Index	43,319	13.7%	-29.7%	-25.0%	-20.1%
FTSE EPRA / NAREIT Dev. Index (Hedged \$A)*	2,248	6.1%	-25.2%	-19.5%	-19.0%
Oil and Commodities					
 Crude Oil (\$/bbl)	19	-8.0%	-63.5%	-67.8%	-70.5%
Copper Spot (\$/tonne)	5,160	4.5%	-7.0%	-13.7%	-19.7%
Gold Spot (\$/ounce)	1,694	6.1%	6.3%	17.9%	28.3%
Australian Fixed Interest					
 Bloomberg AusBond Composite Index	10,539	-0.1%	0.6%	3.6%	6.4%
Bloomberg AusBond Government Index	11,111	-0.4%	0.8%	4.0%	7.3%
Bloomberg AusBond Corporate Index	10,637	0.1%	-0.8%	2.3%	4.4%
Bloomberg AusBond Bank Bill Index	9,014	0.0%	0.2%	0.8%	1.1%
Global Fixed Interest					
 FTSE WGBI ex-Aus (Hedged \$A)	2,615	0.8%	2.4%	5.9%	9.2%
Barclay's Global Agg. Bond Index (Hedged \$A)		1.5%	1.0%	4.4%	7.2%
Fixed Income (yields) as at ...					
 Australia Bank Bill	0.10	0.36	0.88	1.21	1.56
Australia 10-Year Government Bond	0.89	0.76	0.95	1.32	1.79
US 10-Year Government Bond	0.64	0.67	1.51	2.01	2.50
UK 10-Year Government Bond	0.23	0.36	0.52	0.83	1.19
Germany 10-Year Government Bond	-0.59	-0.47	-0.43	-0.33	0.01
Japan 10-Year Government Bond	-0.03	0.02	-0.07	-0.16	-0.04

Source: Bloomberg

*Net dividends reinvested

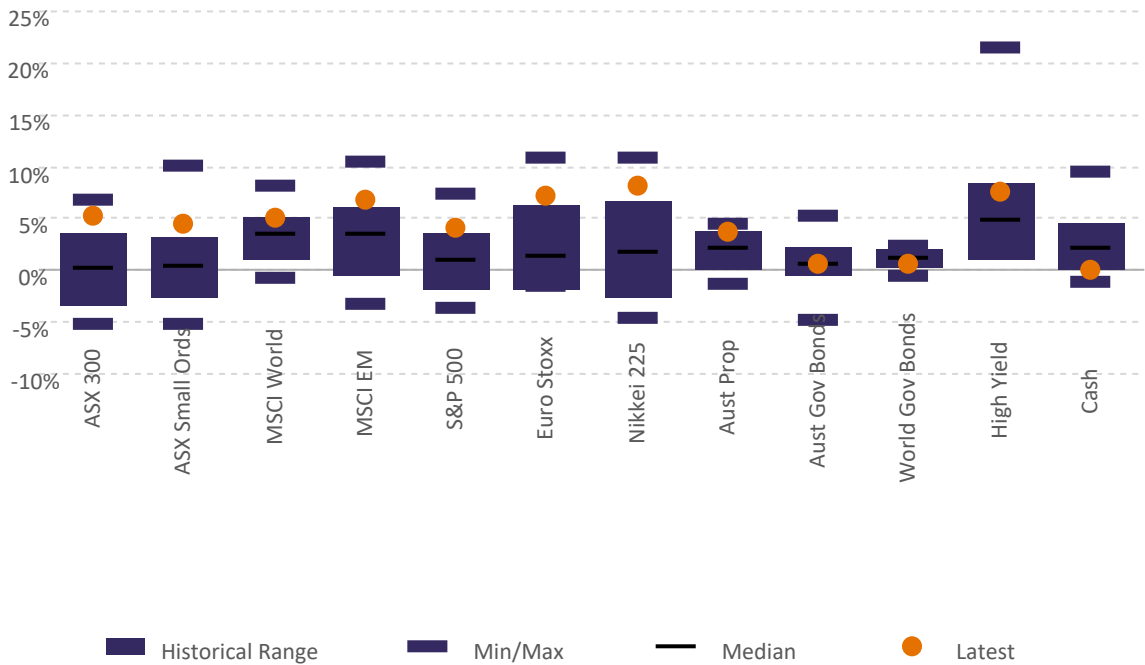
Asset Class Yields Relative to History

Current Yields (equities earnings)



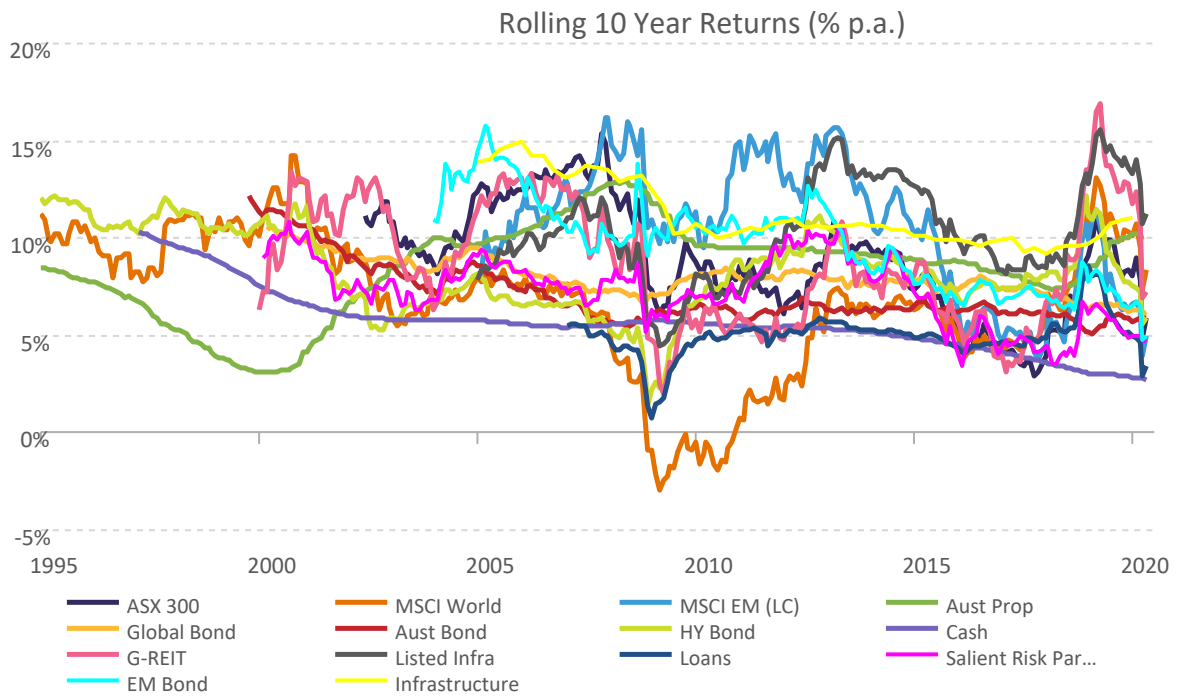
Source: Refinitiv Datastream

Relative Yields (vs bond or cash yield)

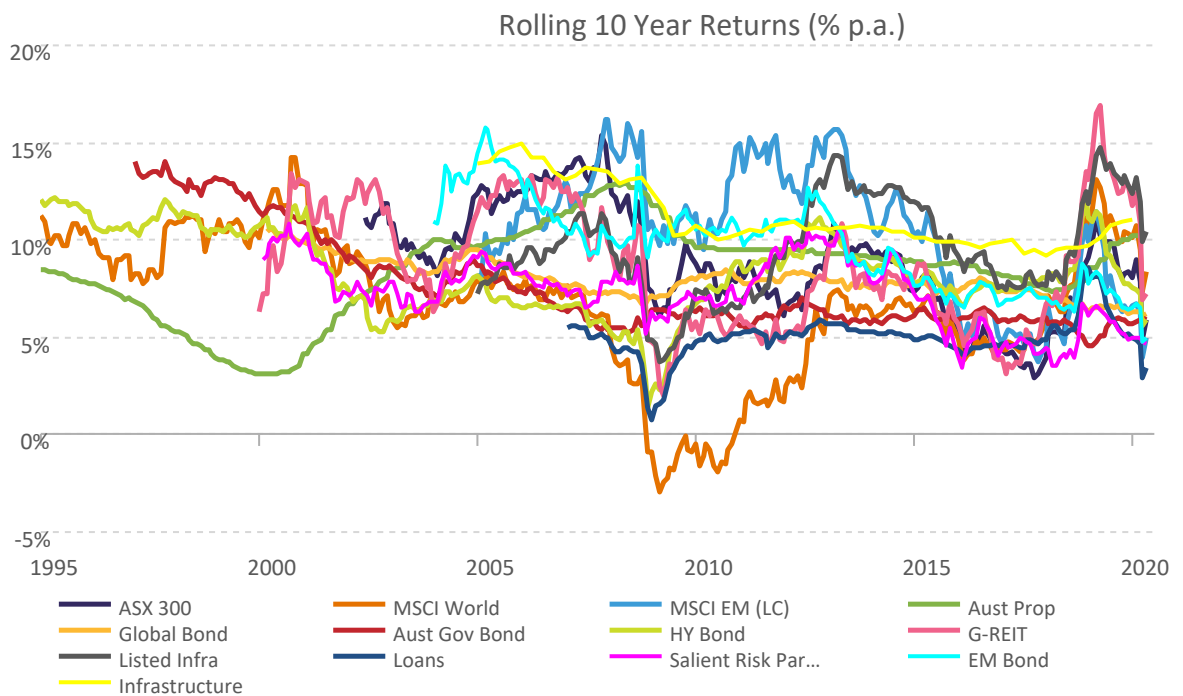


Source: Refinitiv Datastream

Asset Class Long-Term Returns



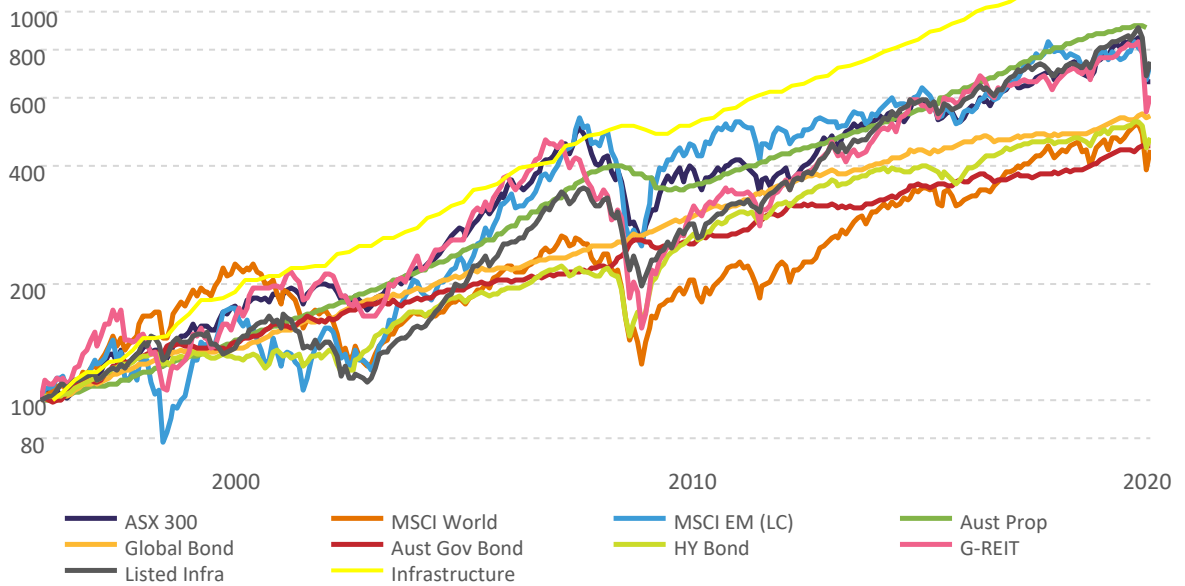
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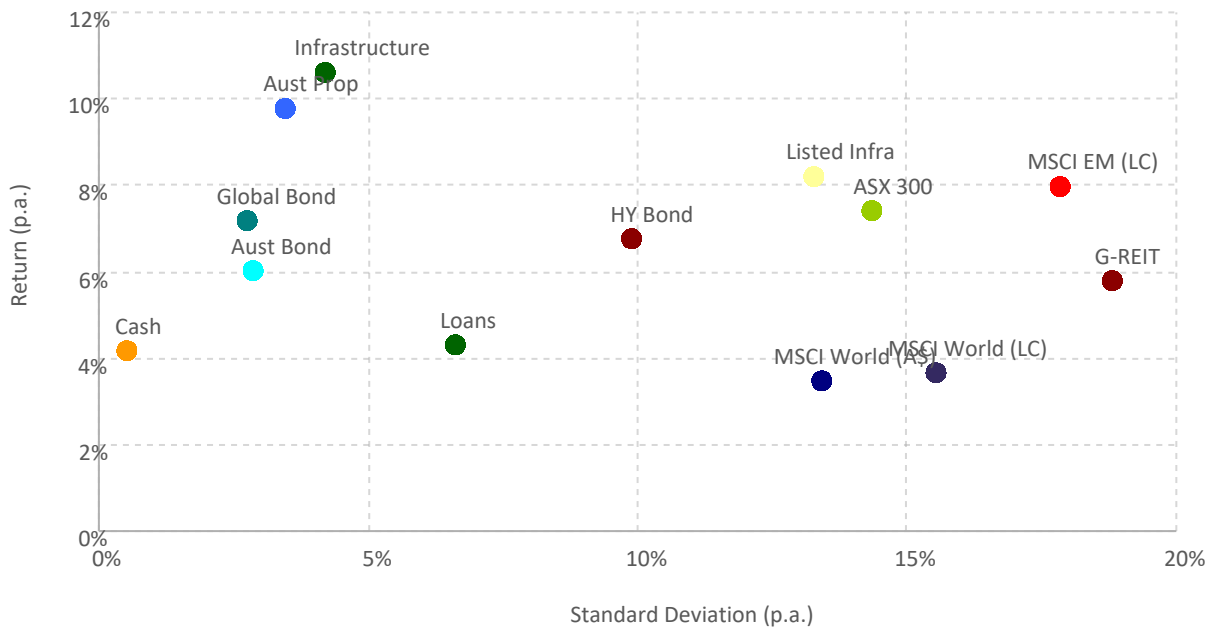
Asset Class Long-Term Returns

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



Source: Refinitiv Datastream

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



Source: Refinitiv Datastream

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