

Monthly Market Snapshot

APRIL 2016

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

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Key insights

April saw a continuation in the gradual recovery of equity markets since the February lows. In a similar tone to previous months, the actions of central banks have been a key driver of the global financial markets.

In the US, the Federal Open Market Committee (FOMC) held its April policy meeting. As widely expected, the FOMC “decided to maintain the target range for the federal funds rate unchanged at $\frac{1}{4}$ to $\frac{1}{2}$ percent”. An improving housing sector, moderate growth in household spending and stronger job gains, points to a gradual improvement in the labour market. Inflation has continue to remain below the 2% target of the Committee in light of the earlier decline in energy prices and a fall in prices of non-energy imports. The FOMC stated that they “will continue to monitor inflation indicators and global economic and financial developments”.

Oil price rose by 20% in April from the close in March, closing approximately at US \$48 per barrel. The gradual recovery in oil price in April from March and the moderate stance adopted by the Fed likely provided a slight boost to US equities, which improved slightly in April by 0.3%.

In Europe, the European Central Bank (ECB) held its policy meeting in April and left interest rates unchanged. The ECB decided to leave the interest rate on the main refinancing operations, interest rates on the marginal lending facility and the deposit facility unchanged at 0.00%, 0.25% and -0.40% respectively.

The ECB further confirmed that it has begun its Monthly Asset Purchase Programme (APP) of €80 billion per month. Additionally, the ECB will be implementing additional non-standard measures such as their first operation of a new series of Targeted Longer-term Refinancing

Operations (TLTRO II) and corporate bond purchases under the Corporate Sector Purchase Programme (CSPP).

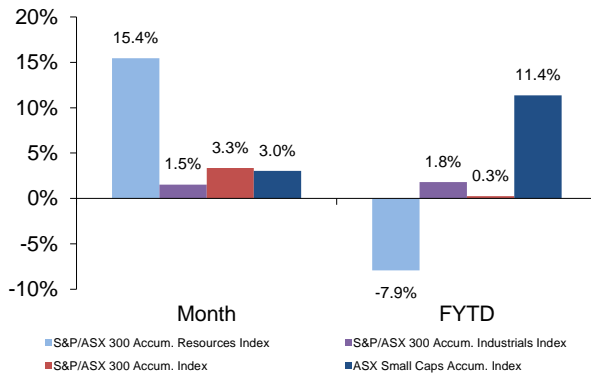
Recently published economic data pertaining to the Euro area have provided mixed signals. Unemployment data published is at a four-year low of 10.3%, while credit markets appear to have improved. Retail sales in the Eurozone continue to grow for its fourth consecutive month. However, despite the positive data and easing policies undertaken, inflation rates only marginally improved from -0.2% to 0% in February.

In April, China released its first quarter Gross Domestic Product (GDP). GDP was up 6.7% YoY meeting market expectations but was the slowest since the global financial crisis in 2009. The latest China Purchasing Manager Index (PMI) and trade data in China were below market expectations. PMI data released, marginally slowed due to weak growth in outputs and new export orders. Retail sales grew by 10.1%, however falling marginally short of the market expectation of 10.5%.

Domestically, the RBA lowered the cash rate by 0.25% to 1.75% in light of lower than expected inflation and subdued growth in the labour market. The interest rate cuts by RBA were based on the judgement “that prospects for sustainable growth in the economy, with inflation returning to target over time, would be improved by easing monetary policy at this meeting.”



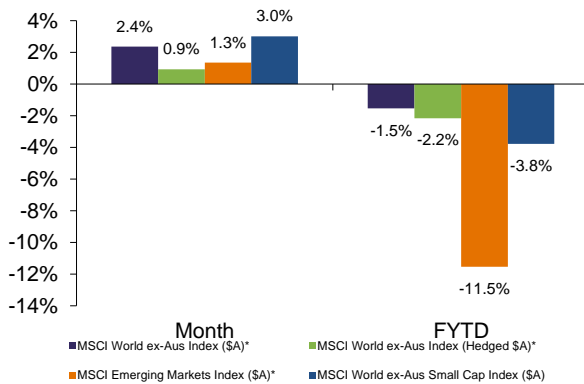
Australian equities



Australian equities recovered in April, finishing the month up by 3.3%. All sectors delivered positive returns following the sell-off in the January and February of 2016.



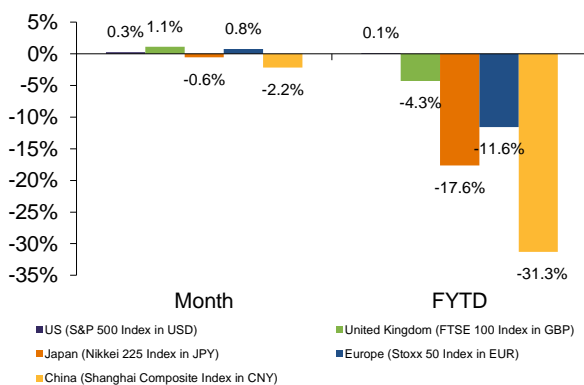
International equities (\$A)



Developed market and emerging market equities both went up by around 2.4% and 1.3% approximately in April 2016. Hedged developed market equities underperformed their unhedged counterpart as the Australian dollar weakened over the month.



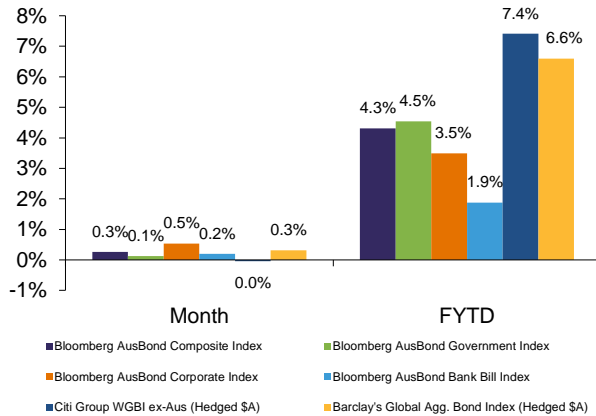
International equities (local currencies)



All major equity markets globally had a positive month in April with the exception of the Asian markets. The Chinese equity market fell by 2.2% while Japan saw a slide in its equities by 0.6%. For the financial year to date, Chinese equities are down by -31.3%.



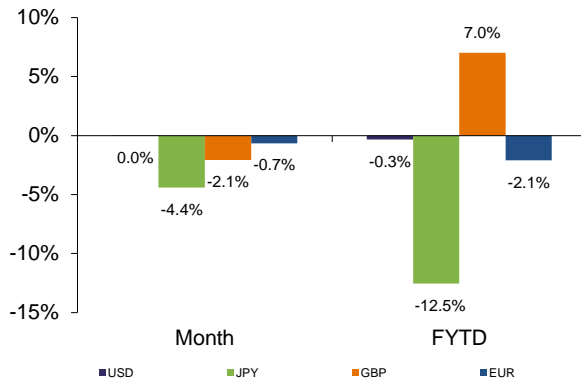
Fixed income



Australian and Global Bond yields remains had a slightly positive month with bond yields being relatively unchanged in April.



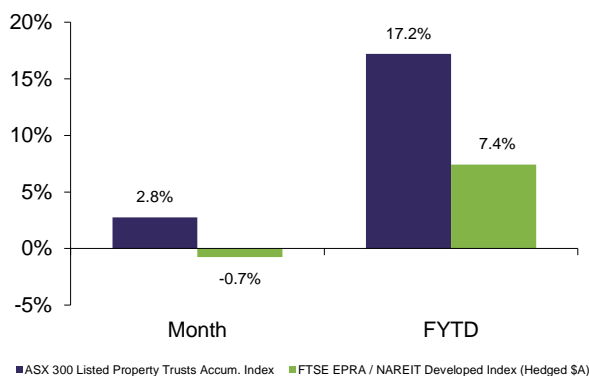
Australian dollar against major currencies



The Australian dollar (AUD) depreciated against all major foreign currencies over the month, likely driven by the possibility of further rate cuts by the RBA and the rebalancing of the Chinese economy. The AUD was relatively flat against the US dollar (USD) and Euro (EUR), and depreciated against the Japanese Yen (JPY) and British pound (GBP).











Property



Australian and global listed property performance diverged over April with Australian listed properties rising by 2.8% and globally listed properties falling by 0.7%.

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	Index value	Month	3 months	FYTD	1 year	
Australian equities						
	S&P/ASX 300 Accum. Index	48,018	3.3%	6.4%	0.3%	-4.7%
	S&P/ASX 300 Accum. Industrials Index	99,956	1.5%	2.9%	1.8%	-2.5%
	S&P/ASX 300 Accum. Resources Index	16,434	15.4%	32.4%	-7.9%	-15.8%
	ASX Small Caps Accum. Index	5,960	3.0%	9.7%	11.4%	5.1%
International equities						
	MSCI World ex-Aus Index (\$A)*	6,724	2.4%	-0.4%	-1.5%	-0.8%
	MSCI World ex-Aus Index (Hedged \$A)*	1,226	0.9%	4.7%	-2.2%	-3.5%
	MSCI Emerging Markets Index (\$A)*	476	1.3%	5.4%	-11.5%	-15.1%
	MSCI World ex-Aus Small Cap Index (\$A)	425	3.0%	2.9%	-3.8%	-0.9%
	US (S&P 500 Index in USD)	2,065	0.3%	6.4%	0.1%	-1.0%
	United Kingdom (FTSE 100 Index in GBP)	6,242	1.1%	2.6%	-4.3%	-10.3%
	Japan (Nikkei 225 Index in JPY)	16,666	-0.6%	-4.9%	-17.6%	-14.6%
	Europe (Stoxx 50 Index in EUR)	3,028	0.8%	-0.6%	-11.6%	-16.2%
	China (Shanghai Composite Index in CNY)	2,938	-2.2%	7.3%	-31.3%	-33.8%
AUD versus ...						
	USD	0.77	0.0%	7.8%	-0.3%	-4.1%
	JPY	82.15	-4.4%	-3.6%	-12.5%	-13.2%
	GBP	0.52	-2.1%	5.8%	7.0%	0.9%
	EUR	0.67	-0.7%	3.5%	-2.1%	-6.6%
Property						
	ASX 300 Listed Property Trusts Accum. Index	42,621	2.8%	8.3%	17.2%	15.6%
	FTSE EPRA / NAREIT Dev. Index (Hedged \$A)*	2,280	-0.7%	6.4%	7.4%	2.4%
Oil and Commodities						
	Crude Oil (\$/bbl)	46	19.8%	36.6%	-22.8%	-23.0%
	Copper Spot (\$/tonne)	5,064	3.8%	10.8%	-12.0%	-20.4%
	Gold Spot (\$/ounce)	1,291	4.4%	15.6%	9.6%	8.6%
Australian Fixed Interest						
	Bloomberg AusBond Composite Index	8,759	0.3%	1.1%	4.3%	3.4%
	Bloomberg AusBond Government Index	9,137	0.1%	1.1%	4.5%	3.2%
	Bloomberg AusBond Corporate Index	8,862	0.5%	1.0%	3.5%	3.2%
	Bloomberg AusBond Bank Bill Index	8,430	0.2%	0.6%	1.9%	2.3%
Global Fixed Interest						
	Citi Group WGBI ex-Aus (Hedged \$A)	2,204	0.0%	2.0%	7.4%	5.7%
	Barclay's Global Agg. Bond Index (Hedged \$A)	-	0.3%	2.3%	6.6%	5.2%
Fixed income (yields) as at ...						
		30-Apr-16	31-Mar-16	31-Jan-16	30-Jun-15	30-Apr-15
	Australia Bank Bill	2.15	2.27	2.26	2.13	2.24
	Australia 10 Year Government Bond	2.52	2.49	2.64	3.01	2.65
	US 10 Year Government Bond	1.83	1.77	1.92	2.35	2.03
	UK 10 Year Government Bond	1.60	1.42	1.56	2.02	1.83
	Germany 10 Year Government Bond	0.27	0.15	0.33	0.76	0.37
	Japan 10 Year Government Bond	-0.08	-0.03	0.10	0.47	0.34

* Net dividends reinvested

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