

Monthly Market Snapshot

JUNE 2016

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

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Key insights

Key equity markets in June recovered from their lows at the start of the year and posted a 52 week high. 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 June 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”. Although growth in economic activity appears to have picked up, the pace of improvement in the labour market has slowed. Unemployment rate went up to 4.9% in June offsetting the marginal improvement of 0.2 percentage points (p.p) made in May. In addition, business fixed investment has continued to be soft while inflation remains below the Committee’s 2% long run objective, partially reflecting earlier declines in energy prices and in prices of non-energy imports. The FOMC has issued a statement in June to “continue to closely monitor inflation indicators, global economic and financial developments”.

Oil prices remained unchanged, approximately at US \$50 in June 2016.

In Europe, the European Central Bank (ECB) 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 next monetary policy meeting will be on 21 July 2016.

The ECB continues its Monthly Asset Purchase Programme (APP) of €80 billion per month in addition to the 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).

The UK held a referendum on their membership of the European Union (EU). The result was for the UK to leave the EU (Leave 51.9% / Remain 48.1%).

This will likely lead the UK and Europe into a new period of instability and uncertainty;

1. There is no precedent for a member country to leave the EU;
2. The UK was the world’s 5th largest economy; and
3. There are growing concerns that the EU will fragment further.

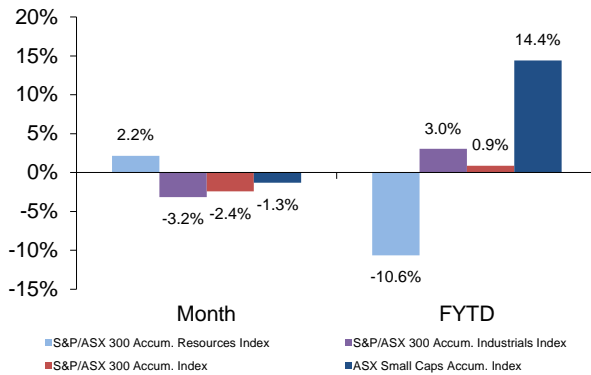
The ECB considers significant downside risks to the growth of the Eurozone due to heightened political risks, in particular Brexit.

In April, China’s second quarter Gross Domestic Product (GDP) was up 6.7% YoY while on a quarterly basis expanded by 1.8%, marginally performing above market expectations. The latest China Purchasing Manager Index (PMI) declined slightly to 50.0 from its previous of 50.1. Trade data announced was above market expectations due to a larger than expected fall in imports at -8.4% while exports contracted at -4.8% (below market expectations). Retail sales grew by 10.6%, marginally exceeding market consensus.

Domestically, the RBA kept the cash rate unchanged at 1.75%. Unemployment rate rose to 5.8% in June, up from 5.7% in the previous 3 months matching market expectations.



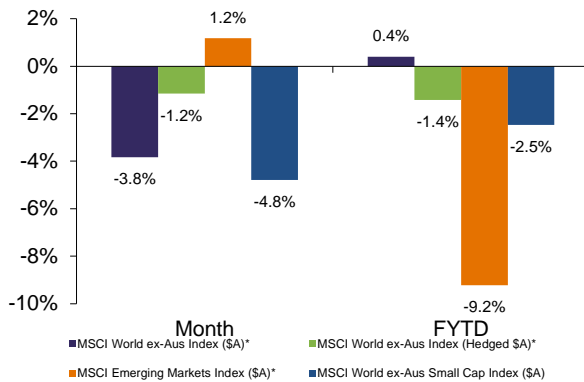
Australian equities



Australian equities declined in June, finishing the month down by 2.4%.



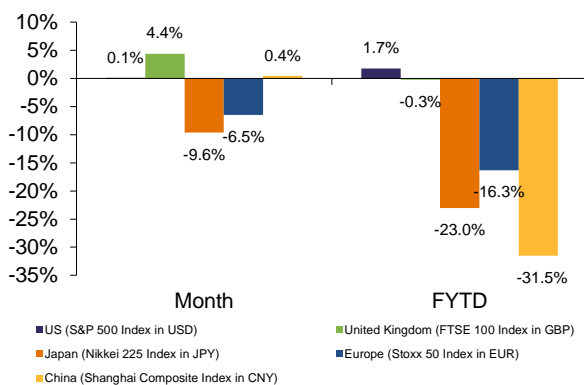
International equities (\$A)



Emerging market equities went up by around 1.2% approximately in June 2016. Unhedged and hedged developed market equities fell by 3.8% and 1.2% respectively.



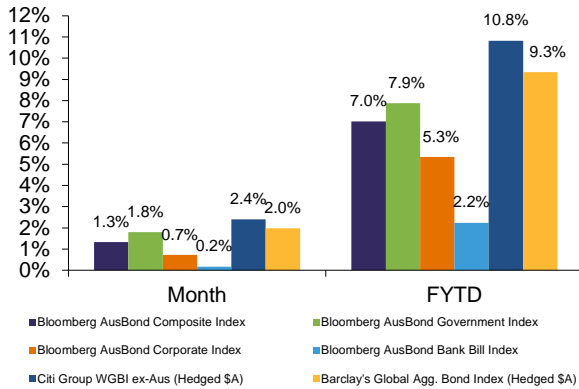
International equities (local currencies)



Major equity markets globally had a positive performance in the month of June with the exception of Japan and Europe. The Japanese equity market fell by 9.6% while Europe saw a fall in its equities by 6.5%. For the financial year to date, Japanese, European and Chinese equities are down by -23.0%, -16.3% and -31.5%.



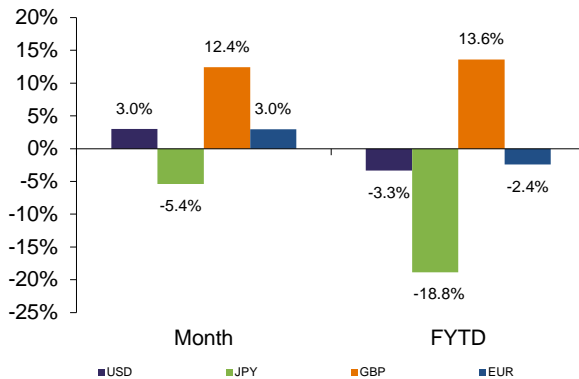
Fixed income



Australian and global bond markets had a slightly positive month with returns rising by 1.3% and 2.0% in June respectively.



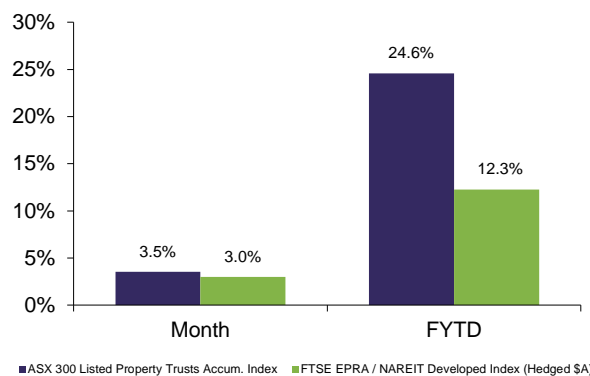
Australian dollar against major currencies



The Australian dollar (AUD) appreciated against most major foreign currencies over the month with the exception of the Japanese Yen (JPY). The AUD appreciated against the British pound (GBP) by 12.4% in the month of June and 13.6% year to date.











Property



Australian and global listed property performance rose by 3.5% and 3.0% respectively in June.

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	Index value	Month	3 months	FYTD	1 year	
Australian equities						
	S&P/ASX 300 Accum. Index	48,315	-2.4%	4.0%	0.9%	0.9%
	S&P/ASX 300 Accum. Industrials Index	101,177	-3.2%	2.8%	3.0%	3.0%
	S&P/ASX 300 Accum. Resources Index	15,951	2.2%	12.1%	-10.6%	-10.6%
	ASX Small Caps Accum. Index	6,122	-1.3%	5.8%	14.4%	14.4%
International equities						
	MSCI World ex-Aus Index (\$A)*	6,855	-3.8%	4.4%	0.4%	0.4%
	MSCI World ex-Aus Index (Hedged \$A)*	1,235	-1.2%	1.7%	-1.4%	-1.4%
	MSCI Emerging Markets Index (\$A)*	488	1.2%	4.0%	-9.2%	-9.2%
	MSCI World ex-Aus Small Cap Index (\$A)	430	-4.8%	4.4%	-2.5%	-2.5%
	US (S&P 500 Index in USD)	2,099	0.1%	1.9%	1.7%	1.7%
	United Kingdom (FTSE 100 Index in GBP)	6,504	4.4%	5.3%	-0.3%	-0.3%
	Japan (Nikkei 225 Index in JPY)	15,576	-9.6%	-7.1%	-23.0%	-23.0%
	Europe (Stoxx 50 Index in EUR)	2,865	-6.5%	-4.7%	-16.3%	-16.3%
	China (Shanghai Composite Index in CNY)	2,930	0.4%	-2.5%	-31.5%	-31.5%
AUD versus ...						
	USD	0.75	3.0%	-2.7%	-3.3%	-3.3%
	JPY	76.23	-5.4%	-11.3%	-18.8%	-18.8%
	GBP	0.55	12.4%	1.0%	13.6%	13.6%
	EUR	0.67	3.0%	-1.0%	-2.4%	-2.4%
Property						
	ASX 300 Listed Property Trusts Accum. Index	45,306	3.5%	9.2%	24.6%	24.6%
	FTSE EPRA / NAREIT Dev. Index (Hedged \$A)*	2,383	3.0%	3.7%	12.3%	12.3%
Oil and Commodities						
	Crude Oil (\$/bbl)	48	-1.6%	26.1%	-18.7%	-18.7%
	Copper Spot (\$/tonne)	4,840	3.0%	-0.8%	-15.9%	-15.9%
	Gold Spot (\$/ounce)	1,321	8.5%	6.8%	12.0%	12.0%
Australian Fixed Interest						
	Bloomberg AusBond Composite Index	8,987	1.3%	2.9%	7.0%	7.0%
	Bloomberg AusBond Government Index	9,429	1.8%	3.3%	7.9%	7.9%
	Bloomberg AusBond Corporate Index	9,020	0.7%	2.3%	5.3%	5.3%
	Bloomberg AusBond Bank Bill Index	8,460	0.2%	0.6%	2.2%	2.2%
Global Fixed Interest						
	Citi Group WGBI ex-Aus (Hedged \$A)	2,275	2.4%	3.1%	10.8%	10.8%
	Barclay's Global Agg. Bond Index (Hedged \$A)	-	2.0%	2.9%	9.3%	9.3%
Fixed income (yields) as at ...						
		30-Jun-16	31-May-16	31-Mar-16	30-Jun-15	30-Jun-15
	Australia Bank Bill	1.94	1.99	2.27	2.13	2.13
	Australia 10 Year Government Bond	1.98	2.30	2.49	3.01	3.01
	US 10 Year Government Bond	1.47	1.85	1.77	2.35	2.35
	UK 10 Year Government Bond	0.87	1.43	1.42	2.02	2.02
	Germany 10 Year Government Bond	-0.13	0.14	0.15	0.76	0.76
	Japan 10 Year Government Bond	-0.22	-0.11	-0.03	0.47	0.47

* Net dividends reinvested

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