

Monthly Market Snapshot

SEPTEMBER 2016

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

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Key insights

Equities markets in general, traded sideways over the month, while global bonds had a selloff following a possibility of a change in monetary policy stance by global Central banks. Yields across all maturities for major developed markets steepened marginally.

In the United States, the Federal Reserve Open Committee (FOMC) left its target range for its federal funds rate of 0.25% to 0.50% unchanged during its September meeting. The Committee acknowledged the case for a rate hike has strengthened, against a backdrop of relatively strong labour market data and economic activity. In the political space, presidential candidates, Trump and Clinton, engaged in the first round of presidential debate.

In Japan, the Bank of Japan (BOJ) announced the results of the review of their monetary policy stance. The BOJ maintained the short term policy rate of -0.1% on excess reserves held by Japanese financial institutions at the bank. However, the BOJ introduced a new policy framework to control the long term interest rate and to achieve its “inflation –overshooting commitment”. The BOJ aims to control the yield curve with a focus on the 10 year yield of the Japanese government bond (JGB) to be at 0.0%. The BOJ will conduct its purchase of JGBs to achieve the target level of long-term interest rates. Economic data was positive for the Japanese economy. Core inflation rose by 0.2% and 0.0%, on a year on year (YoY) and monthly basis (MoM) respectively. Industrial production and Construction orders turned positive and rose by 4.6% (YoY) and 13.8% (YoY) respectively.

The European Central Bank (ECB) maintained its current rate of interest for Main Refinancing Operations, Marginal Lending Facility and Deposit Facility at 0.0%, 0.25% and -0.4%, respectively. Monthly asset purchases of €80 billion will run on course till the end of March. Purchasing Manager Index (PMI) data for the Euro region held up at 52.9 (Composite) and 51.7 (Services). PMI data for Germany weakened marginally in the expansionary region (above 50) while strengthening in France. Retail sales growth improved across the board for developed Eurozone countries.

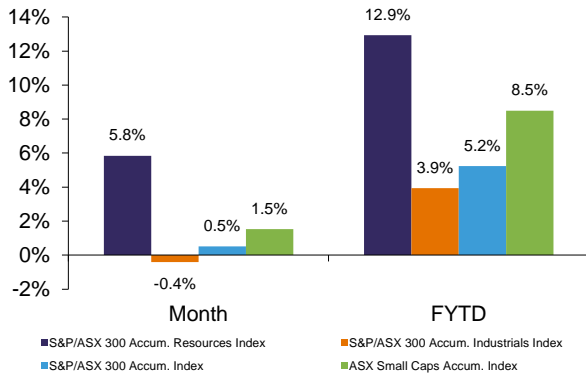
In the United Kingdom (UK), the Prime Minister outlined the plan for her to trigger Article 50 (the process formalizing Brexit) by the end of March 2017. The British pound fell to a 3 year low against the Euro after the announcement.

Within emerging markets, residential real estate in China grew by 9.2%, up from a previous 7.9%, while outstanding loans grew by 13%, up from a previous 12.9%. This raises existing concerns of excesses in the housing market and the high level of debt in the Chinese system. In India, the Reserve Bank of India (RBI) cut its key lending rate by 0.25% to 6.25%, in order to support the economy as it faces cooling global growth.

On the domestic side, the Reserve Bank of Australia (RBA) maintained its interest rate at 1.5%. The AUDUSD exchange rate currently trades at USD0.77, against a backdrop of stronger commodity prices.



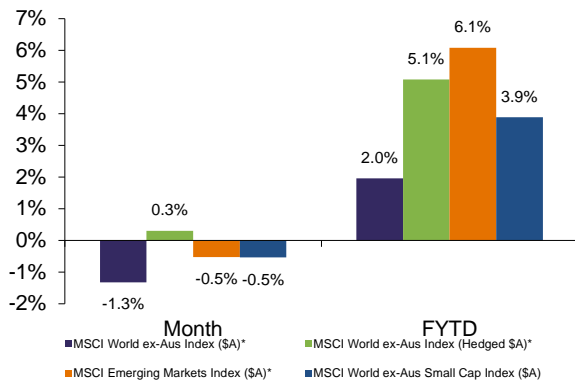
Australian equities



Australian equities rose in September, closing the month up by 0.5%, with the Resources sector producing particularly strong returns.



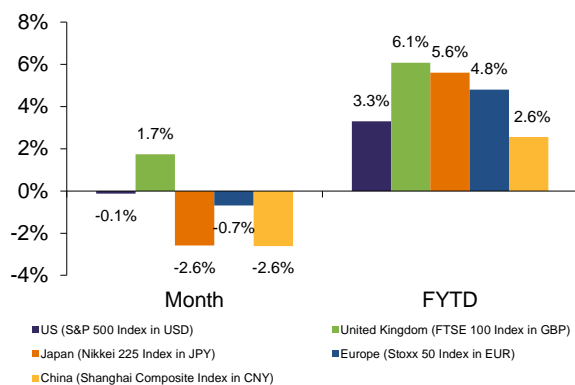
International equities (\$A)



The Hedged MSCI World Index rose marginally by 0.3% in September, while unhedged developed market equities fell by 1.3%, as the Australian dollar strengthened. Emerging market equities fell by 0.5% in Australian dollar terms in September, but has produced strong returns in the financial year to date.



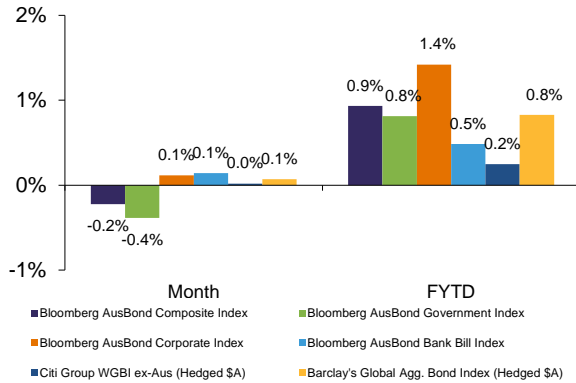
International equities (local currencies)



Major equity markets declined marginally in the month of September, except for the UK which rose by 1.7%, in local currency terms. All markets are positive for the financial year to date.



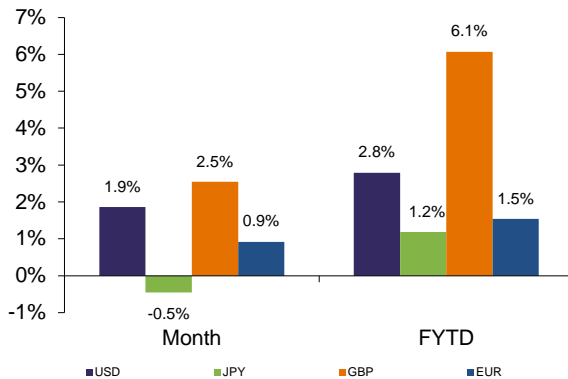
Fixed income



Australian bonds declined marginally by 0.2%, while global bonds produced marginally positive returns for the month of September.



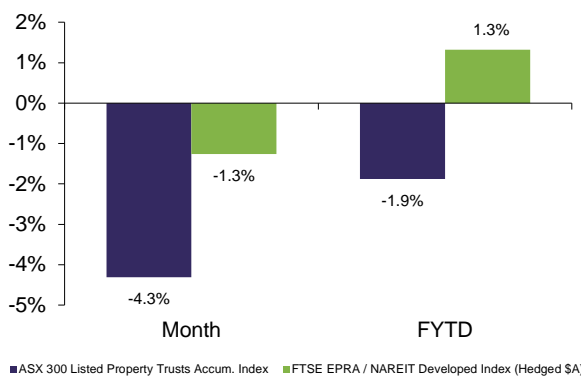
Australian dollar against major currencies



The Australian dollar (AUD) appreciated against all major foreign currencies except for the Japanese Yen over the month of September. For the financial year to date, the AUD recorded gains against all major currencies.











Property



Australian and global listed property performance declined by 4.3% and 1.3%, respectively in September.

September

	Index value	Month	3 months	FYTD	1 year
 Australian equities					
S&P/ASX 300 Accum. Index	50,847	0.5%	5.2%	5.2%	13.5%
S&P/ASX 300 Accum. Industrials Index	105,168	-0.4%	3.9%	3.9%	12.3%
S&P/ASX 300 Accum. Resources Index	18,013	5.8%	12.9%	12.9%	20.6%
ASX Small Caps Accum. Index	6,643	1.5%	8.5%	8.5%	29.2%
 International equities					
MSCI World ex-Aus Index (\$A)*	6,989	-1.3%	2.0%	2.0%	1.9%
MSCI World ex-Aus Index (Hedged \$A)*	1,298	0.3%	5.1%	5.1%	11.8%
MSCI Emerging Markets Index (\$A)*	518	-0.5%	6.1%	6.1%	7.2%
MSCI World ex-Aus Small Cap Index (\$A)	447	-0.5%	3.9%	3.9%	2.9%
US (S&P 500 Index in USD)	2,168	-0.1%	3.3%	3.3%	12.9%
United Kingdom (FTSE 100 Index in GBP)	6,899	1.7%	6.1%	6.1%	13.8%
Japan (Nikkei 225 Index in JPY)	16,450	-2.6%	5.6%	5.6%	-5.4%
Europe (Stoxx 50 Index in EUR)	3,002	-0.7%	4.8%	4.8%	-3.2%
China (Shanghai Composite Index in CNY)	3,005	-2.6%	2.6%	2.6%	-1.6%
 AUD versus ...					
USD	0.77	1.9%	2.8%	2.8%	9.1%
JPY	77.13	-0.5%	1.2%	1.2%	-8.2%
GBP	0.59	2.5%	1.0%	6.1%	27.3%
EUR	0.68	0.9%	1.5%	1.5%	9.1%
 Property					
ASX 300 Listed Property Trusts Accum. Index	44,455	-4.3%	-1.9%	-1.9%	20.9%
FTSE EPRA / NAREIT Dev. Index (Hedged \$A)*	2,414	-1.3%	1.3%	1.3%	14.0%
 Oil and Commodities					
Crude Oil (\$/bbl)	48	7.9%	-0.2%	-0.2%	7.0%
Copper Spot (\$/tonne)	4,848	5.3%	0.2%	0.2%	-6.3%
Gold Spot (\$/ounce)	1,317	0.4%	-0.8%	-0.8%	17.6%
 Australian Fixed Interest					
Bloomberg AusBond Composite Index	9,071	-0.2%	0.9%	0.9%	5.7%
Bloomberg AusBond Government Index	9,505	-0.4%	0.8%	0.8%	6.1%
Bloomberg AusBond Corporate Index	9,148	0.1%	1.4%	1.4%	5.2%
Bloomberg AusBond Bank Bill Index	8,501	0.1%	0.5%	0.5%	2.2%
 Global Fixed Interest					
Citi Group WGBI ex-Aus (Hedged \$A)	2,280	0.0%	0.2%	0.2%	8.4%
Barclay's Global Agg. Bond Index (Hedged \$A)	-	0.1%	0.8%	0.8%	8.2%
 Fixed income (yields) as at ...					
	30-Sep-16	31-Aug-16	30-Jun-16	30-Jun-16	30-Sep-15
Australia Bank Bill	1.72	1.74	1.94	1.94	2.16
Australia 10 Year Government Bond	1.91	1.82	1.98	1.98	2.61
US 10 Year Government Bond	1.59	1.58	1.47	1.47	2.04
UK 10 Year Government Bond	0.75	0.64	0.87	0.87	1.76
Germany 10 Year Government Bond	-0.12	-0.07	-0.13	-0.13	0.59
Japan 10 Year Government Bond	-0.09	-0.06	-0.22	-0.22	0.36

* Net dividends reinvested

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