

Monthly Market Snapshot

OCTOBER 2017

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

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Key insights

October saw gains in the global equity markets on the back of positive economic indicators as global growth continued to recover in a synchronised fashion. Global PMI (Purchasing Managers' Index) surveys continued to improve within expansionary levels. Global corporate earnings growth and commodity prices are also rising.

During the month, the Federal Reserve Open Market Committee (FOMC) left the target federal funds rate unchanged at a range of 1.0% to 1.25%. Apart from the reduction of the central bank's balance sheet which is currently underway, Jerome Powell has been nominated as the Chair of the Federal Reserve and is expected to assume the leadership role in March 2018. Markets expect Powell to continue to pursue the US central bank's rather accommodative monetary policy with a focus on addressing low inflation and fiscal policy reforms.

The European Central Bank (ECB) announced an extension of the bank's quantitative easing (QE) program to September 2018. Despite an improving macroeconomic backdrop on the back of a continued stream of positive key economic data flowing into the Eurozone, the outlook for inflation remains uncertain and falls short to indicate sustained upward growth trajectory. The push for Catalan independence could also be destabilising but it is overall a relatively small impact on the economy.

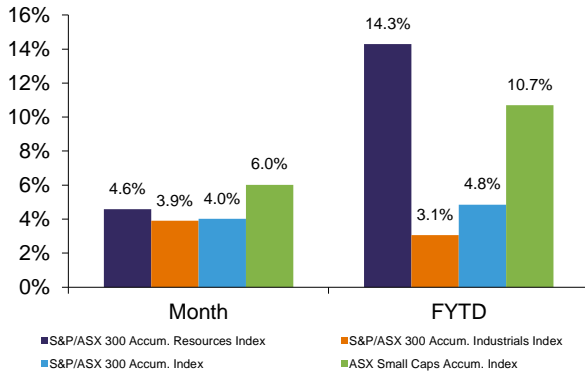
As widely expected, the Bank of England (BoE) announced a 25bps rate hike for the first time in more than a decade in an attempt to help curb inflation which has risen to its highest level at 3.0% since April 2012, above BoE's target of 2%. The BoE stated that any future interest rate increases will be limited and gradual to prevent the economy from overheating. Fears that Brexit could derail the domestic economy remain a major concern.

The outcome of the 19th National Party Congress (NPC) in China has marked further consolidation of powers for President Xi Jinping. Xi has expressed support to deepen market-oriented reforms and private and larger state firm reforms. The government will aim to balance economic growth, structural reforms, income distribution and financial stability.

The Reserve Bank of Australia (RBA) states that its "forecasts for growth in the Australian economy remains largely unchanged" on improving prospects of the domestic labour market (particularly in full-time jobs) which has driven the recent improvement in consumer confidence. However, current inflation rate at around 1.8% is expected to remain below the RBA's 2-3% target in light of the weakness in both retail sales and subdued wage growth. Caution continues to be warranted on the economic outlook given spare capacity in the labour market and subdued wage growth which will be prominent influencers of monetary policy over the next year.



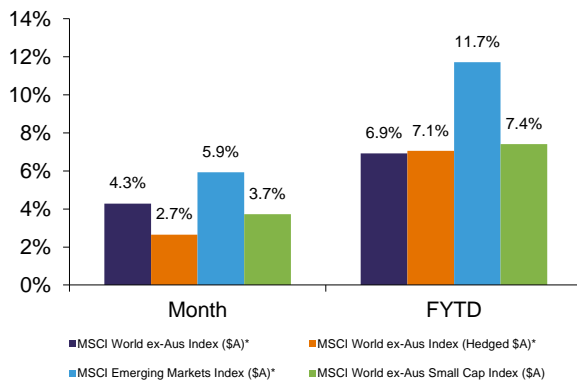
Australian equities



The S&P/ASX 300 Accum index closed the month up 4.0% with improvements in both the Resources and Industrials sectors at 4.6% and 3.9% respectively. The Australian Small Caps sector also posted strong returns at 6.0% over the month.



International equities (\$A)

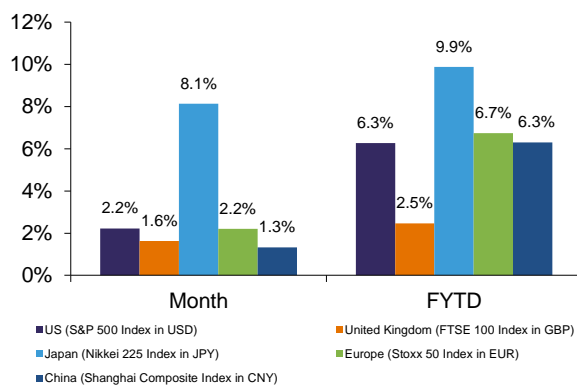


The \$A hedged MSCI World Index ex-Australia gained 2.7% in October, while the unhedged index gained 4.3%, as the Australian dollar weakened over the month.

Emerging market equities continued to lead the developed equity markets, gaining 5.9% for the month and 11.7% for the financial year to date.



International equities (local currencies)

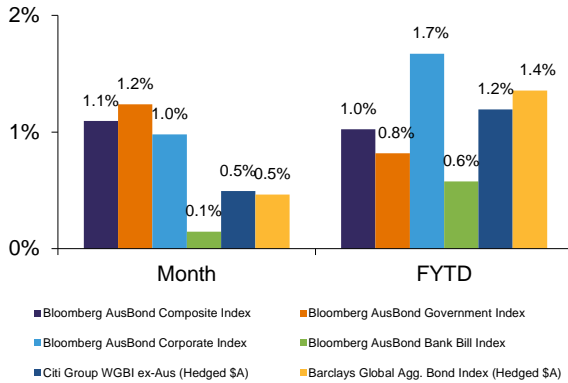


In October, equity markets in Japan, US and Europe gained 8.1%, 2.2%, and 2.2%, respectively.

All major markets posted positive returns for the financial year to date.



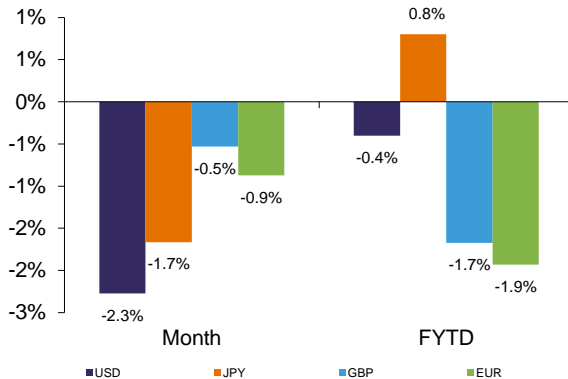
Fixed income



In October, Australian bonds and global bonds gained 1.1% and 0.5%, respectively.



Australian dollar against major currencies

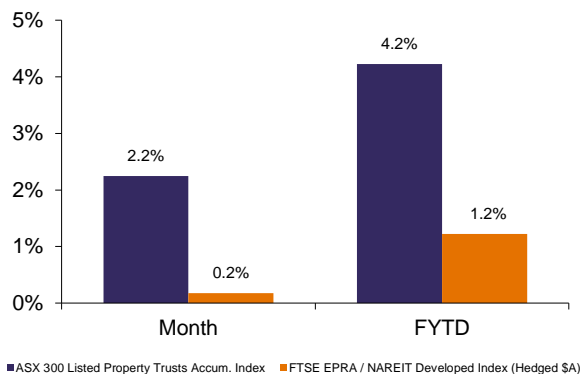


The Australian dollar (AUD) depreciated against all major currencies, particularly against the USD and JPY by 2.3% and 1.7% respectively.

For the financial year to date, the AUD has recorded gains against the JPY, but has depreciated against the Euro, GBP and USD.











Property



In October, Australian-listed property delivered 2.2%, while hedged global-listed property was relatively flat.

October

	Index value	Month	3 months	FYTD	1 year
Australian Equities					
 S&P/ASX 300 Accum. Index	57,658	4.0%	4.8%	4.8%	15.9%
S&P/ASX 300 Accum. Industrials Index	117,341	3.9%	4.0%	3.1%	14.8%
S&P/ASX 300 Accum. Resources Index	22,163	4.6%	9.0%	14.3%	21.6%
ASX Small Caps Accum. Index	7,252	6.0%	10.3%	10.7%	14.6%
International Equities					
 MSCI World ex-Aus Index (\$A)*	8,410	4.3%	8.7%	6.9%	22.0%
MSCI World ex-Aus Index (Hedged \$A)*	1,594	2.7%	5.5%	7.1%	23.5%
MSCI Emerging Markets Index (\$A)*	655	5.9%	9.7%	11.7%	25.5%
MSCI World ex-Aus Small Cap Index (\$A)	535	3.7%	9.4%	7.4%	23.6%
US (S&P 500 Index in USD)	2,575	2.2%	4.2%	6.3%	21.1%
United Kingdom (FTSE 100 Index in GBP)	7,493	1.6%	1.6%	2.5%	7.7%
Japan (Nikkei 225 Index in JPY)	22,012	8.1%	10.5%	9.9%	26.3%
Europe (Stoxx 50 Index in EUR)	3,674	2.2%	6.5%	6.7%	20.3%
China (Shanghai Composite Index in CNY)	3,393	1.3%	3.7%	6.3%	9.4%
AUD Versus...					
 USD	0.77	-2.3%	-4.3%	-0.4%	0.6%
JPY	86.85	-1.7%	-1.6%	0.8%	8.8%
GBP	0.58	-0.5%	1.0%	-1.7%	-6.9%
EUR	0.66	-0.9%	-2.9%	-1.9%	-4.9%
Property					
 ASX 300 Listed Property Trusts Accum. Index	44,558	2.2%	4.4%	4.2%	8.6%
FTSE EPRA / NAREIT Developed Index (Hedged \$A)	2,465	0.2%	0.3%	1.2%	6.9%
Oil and Commodities					
 Crude Oil (\$/bbl)	54	5.2%	8.4%	18.1%	16.0%
Copper Spot (\$/tonne)	6,817	6.0%	7.6%	15.0%	40.8%
Gold Spot (\$/ounce)	1,271	-1.1%	-0.2%	1.7%	-1.7%
Australian Fixed Interest					
 Bloomberg AusBond Composite Index	9,101	1.1%	0.8%	1.0%	1.6%
Bloomberg AusBond Government Index	9,427	1.2%	0.7%	0.8%	1.0%
Bloomberg AusBond Corporate Index	9,431	1.0%	1.1%	1.7%	3.7%
Bloomberg AusBond Bank Bill Index	8,663	0.1%	0.4%	0.6%	1.8%
Global Fixed Interest					
 Citi Group WGBI ex-Aus (Hedged \$A)	2,276	0.5%	0.9%	1.2%	1.0%
Barclays Global Agg. Bond Index (Hedged \$A)	-	0.5%	1.0%	1.4%	1.9%
Fixed Income (Yields) as at ...					
	31-Oct-17	30-Sep-17	31-Jul-17	30-Jun-17	31-Oct-16
Australia Bank Bill	1.69	1.71	1.69	1.71	1.75
Australia 10 Year Government Bond	2.67	2.84	2.68	2.60	2.35
US 10 Year Government Bond	2.38	2.33	2.29	2.30	1.83
UK 10 Year Government Bond	1.33	1.37	1.23	1.26	1.25
Germany 10 Year Government Bond	0.36	0.46	0.54	0.47	0.16
Japan 10 Year Government Bond	0.07	0.07	0.08	0.09	-0.05

* Net dividends reinvested

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