

Monthly Market Snapshot

NOVEMBER 2017

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

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Key insights

Global PMI (Purchasing Managers' Index) surveys continue to improve reaching 54 in November, the highest reading since March 2011. Business Conditions continue to improve across the consumer and fixed investment sectors. New orders, new exports and employment continue to sustain their upward momentum. On average, growth in output remains higher in developed countries compared to emerging markets.

Within equity markets, MSCI emerging markets continue to outperform MSCI World and the ASX200. Technology remains as the fastest growing sector in 2017.

The US economy added 228,000 jobs in November while the unemployment rate steadied at 4.1%. The manufacturing sector added the most jobs in 15 years, accounting for 17.5% of the monthly jobs added. Average hourly earnings rose by 2.5% annually in November. Momentum in the labour market continues to sustain its strength, serving as a boost to the outlook. The US economy beat market expectations and expanded 3.3% in the third quarter of 2017. Upward revisions were made for growth in non-residential fixed investments and government spending. US equities gained 3.1% in November while 10-year bond yields closed higher at 2.4% versus 2.37% at the end of October 2017.

Within the Eurozone, macroeconomic data continues to support a positive outlook. Eurozone composite PMI inched higher to 57.5 against a backdrop of broad-based growth across major Eurozone countries. Business activity rose to one of the greatest extents in the last six years, while manufacturing production rose at

its quickest pace in almost seven years in November. Inflation continues to be weak but PMI input price gauges suggest the continued strength in momentum would see inflationary pressures pick up in 2018. Unemployment contracted to 8.8%, the lowest since the Euro area crisis. The largest decrease in unemployment was registered in Cyprus and Greece, providing a support for the positive outlook in the Euro area labour market.

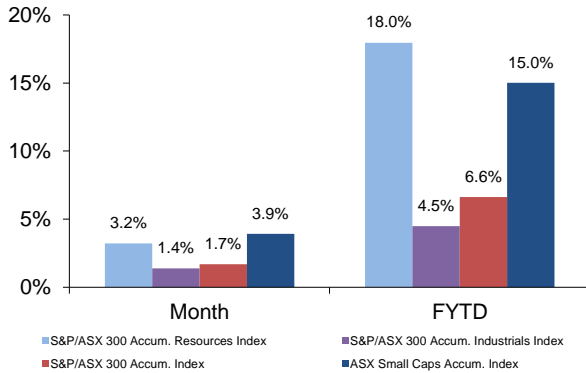
Within the UK, negotiations for Brexit continues. Fears that Brexit could derail the domestic economy remain a major concern in the near term.

In China, credit growth rose sharper than expected even as authorities step up efforts to reduce risks within the financial system. Combined trust loans, entrusted loans and undiscounted banker's acceptance (common forms of shadow banking) rose by 66 billion yuan, suggesting growth in shadow banking activities continues to remain strong.

Within the domestic market, ASX200 grew by 12.3% on an annual basis while the 10-year bond yields declined further by 0.17% to 2.5%. The RBA kept the cash rate unchanged at 1.5%. The labour market has improved considerably, with the unemployment rate declining further to 5.4%, while full-time employment continues to strengthen as part-time employment declined. Wage inflation and core inflation continue to remain weak which suggest the RBA would be likely to keep the cash rate lower for longer. Business conditions and consumer confidence continue to improve, suggesting a brighter outlook as compared to January 2017.



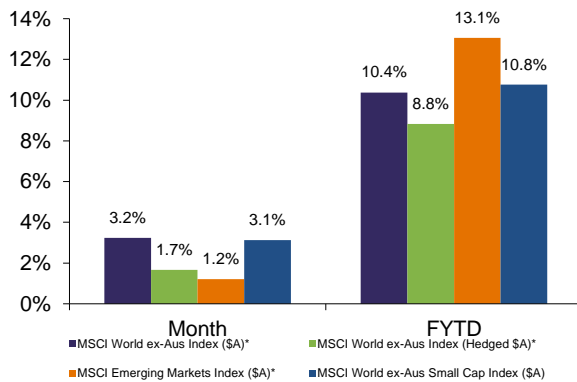
Australian equities



The S&P/ASX 300 Accum. Index closed the month up 1.7% with the strongest growth from Australian small caps at 3.9% over the month.



International equities (\$A)

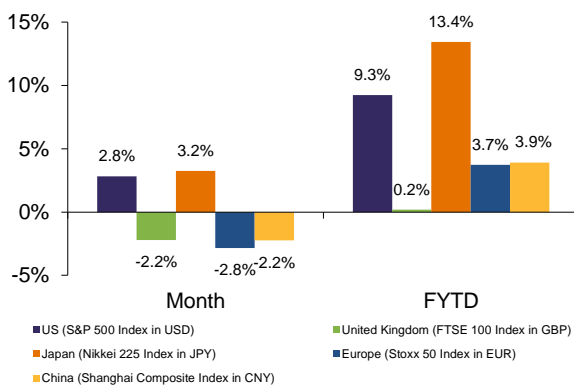


The \$A hedged MSCI World Index ex-Australia gained 1.7% in November, while the unhedged index gained 3.2%, as the Australian dollar weakened over the month.

Emerging market equities continue to lead developed market equities, gaining 13.1% for the financial year to date, although they lagged developed markets equities for the month.



International equities (local currencies)

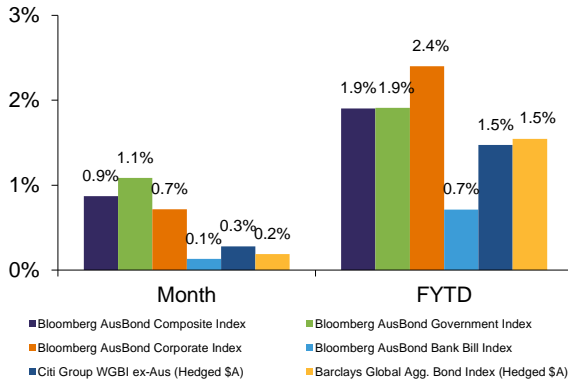


In November, equity markets in Japan and the US gained 3.2% and 2.8% respectively.

All major markets posted positive returns for the financial year to date, albeit very small in the case of UK equities.



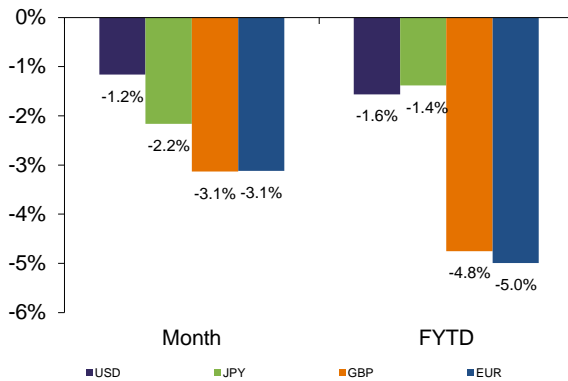
Fixed income



In November, Australian bonds and global bonds returned 0.9% and 0.2%, respectively.



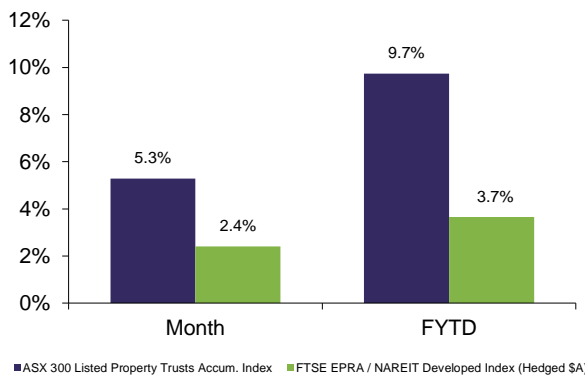
Australian dollar against major currencies



The Australian dollar (AUD) depreciated against all major currencies, in particular against the USD and JPY by 1.2% and 2.2% respectively.











Property



In November, Australian-listed property and hedged global-listed property gained 5.3% and 2.4% respectively.

November

	Index value	Month	3 months	FYTD	1 year
 Australian equities					
S&P/ASX 300 Accum. Index	58,634	1.7%	5.8%	6.6%	14.7%
S&P/ASX 300 Accum. Industrials Index	118,956	1.4%	5.6%	4.5%	13.2%
S&P/ASX 300 Accum. Resources Index	22,875	3.2%	6.7%	18.0%	21.8%
ASX Small Caps Accum. Index	7,536	3.9%	11.6%	15.0%	20.5%
 International equities					
MSCI World ex-Aus Index (\$A)*	8,681	3.2%	11.4%	10.4%	20.5%
MSCI World ex-Aus Index (Hedged \$A)*	1,620	1.7%	7.0%	8.8%	22.1%
MSCI Emerging Markets Index (\$A)*	663	1.2%	7.9%	13.1%	29.3%
MSCI World ex-Aus Small Cap Index (\$A)	552	3.1%	12.3%	10.8%	18.7%
US (S&P 500 Index in USD)	2,648	2.8%	7.1%	9.3%	20.4%
United Kingdom (FTSE 100 Index in GBP)	7,327	-2.2%	-1.4%	0.2%	8.0%
Japan (Nikkei 225 Index in JPY)	22,725	3.2%	15.7%	13.4%	24.1%
Europe (Stoxx 50 Index in EUR)	3,570	-2.8%	4.3%	3.7%	17.0%
China (Shanghai Composite Index in CNY)	3,317	-2.2%	-1.3%	3.9%	2.1%
 AUD versus ...					
USD	0.76	-1.2%	-4.8%	-1.6%	2.5%
JPY	84.97	-2.2%	-2.6%	-1.4%	0.9%
GBP	0.56	-3.1%	1.0%	-4.8%	-5.9%
EUR	0.64	-3.1%	-3.9%	-5.0%	-9.0%
 Property					
ASX 300 Listed Property Trusts Accum. Index	46,915	5.3%	8.3%	9.7%	13.5%
FTSE EPRA / NAREIT Dev. Index (Hedged \$A)*	2,525	2.4%	2.5%	3.7%	10.9%
 Oil and Commodities					
Crude Oil (\$/bbl)	57	5.6%	21.5%	24.7%	16.1%
Copper Spot (\$/tonne)	6,735	-1.2%	-0.4%	13.6%	15.9%
Gold Spot (\$/ounce)	1,277	0.2%	-3.7%	1.9%	7.2%
 Australian Fixed Interest					
Bloomberg AusBond Composite Index	9,181	0.9%	1.7%	1.9%	4.0%
Bloomberg AusBond Government Index	9,530	1.1%	1.9%	1.9%	4.1%
Bloomberg AusBond Corporate Index	9,498	0.7%	1.7%	2.4%	5.1%
Bloomberg AusBond Bank Bill Index	8,675	0.1%	0.4%	0.7%	1.8%
 Global Fixed Interest					
Citi Group WGBI ex-Aus (Hedged \$A)	2,282	0.3%	0.2%	1.5%	3.0%
Barclay's Global Agg. Bond Index (Hedged \$A)	-	0.2%	0.2%	1.5%	3.8%
 Fixed income (yields) as at ...					
	30-Nov-17	31-Oct-17	31-Aug-17	30-Jun-17	30-Nov-16
Australia Bank Bill	1.74	1.69	1.72	1.71	1.76
Australia 10 Year Government Bond	2.50	2.67	2.71	2.60	2.72
US 10 Year Government Bond	2.41	2.38	2.12	2.30	2.38
UK 10 Year Government Bond	1.33	1.33	1.03	1.26	1.42
Germany 10 Year Government Bond	0.37	0.36	0.36	0.47	0.28
Japan 10 Year Government Bond	0.04	0.07	0.01	0.09	0.03

* Net dividends reinvested

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