

Monthly Market Snapshot

FEBRUARY 2018

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



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Key insights

The rate of expansion in global economic output accelerated to a three and half year high in February, as stronger growth in the service sector offset the weakness in manufacturing. Business conditions continue to improve across the business, financial services and fixed investment sectors. New orders, new exports and employment continue to sustain their upward momentum.

The US economy added 313,000 jobs in February as the unemployment rate steadied at 4.1%. Average hourly earnings were weaker than expected, rising 2.6% annually to February. Momentum in the labour market continues to sustain its strength, serving as a boost to the outlook. Q4 US GDP growth came out weaker than expected at 2.5% while Core PCE strengthened to 1.9%. This suggests continued strength within the US economy against a backdrop of accommodative monetary policy and ongoing tightening by the US Federal Reserve. Trade restriction policies have been discussed by President Trump with the initial impact felt by Canada, Mexico and China. US equities were down 3.7% in the recent month due to the correction in early February, while 10-year bond yields inched higher, closing at 2.9% versus 2.37% at the end of October 2017.

Within the Eurozone, macroeconomic data continues to support a positive outlook. Eurozone composite PMI was marginally weaker in February, at 57.1 with a weakness in momentum in services PMI. Backlogs of work subsequently continue to rise, while the level of new business in the Euro region continues to expand, suggesting that firms lack sufficient capacity to meet demand. However, the acceleration of new and outstanding business

both eased to six month lows. Inflationary pressure continues to sustain its strength but producer price inflation softened marginally since November last year. Unemployment contracted to 8.6%, the lowest since the Euro area crisis in 2011. While within the UK, negotiations for Brexit continues.

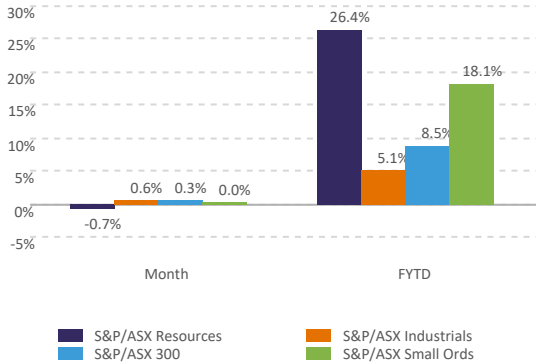
Within China, the Chinese government has announced its target growth rate of 6.5% for this year and made changes to the existing government constitution. President Xi will be allowed to continue remaining in power past the stipulated term as set out previously.

Within equity markets, MSCI emerging markets continue to outperform MSCI World with strong growth coming from Brazil and Taiwan.

Within the domestic market, ASX300 grew by 0.3% in the month to date, while the 10-year bond yields rose to 2.8%. The RBA kept the cash rate unchanged at 1.5%. While housing finance fell by 1.1% on an annual basis in February, building approvals increased by 17.4%. Business conditions and consumer confidence continue to improve, suggesting a brighter outlook as compared to the first half of 2017.



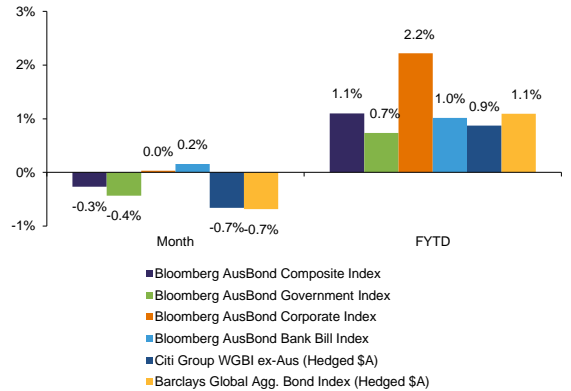
Australian equities



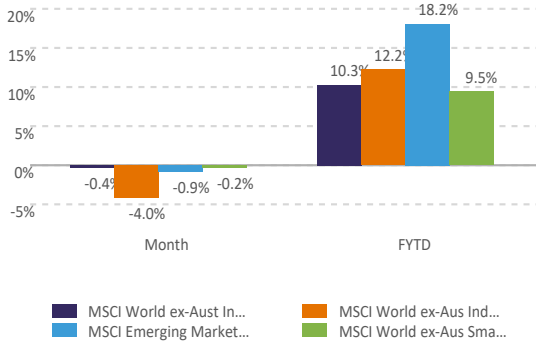
Source: Thomson Reuters Datastream



Fixed income



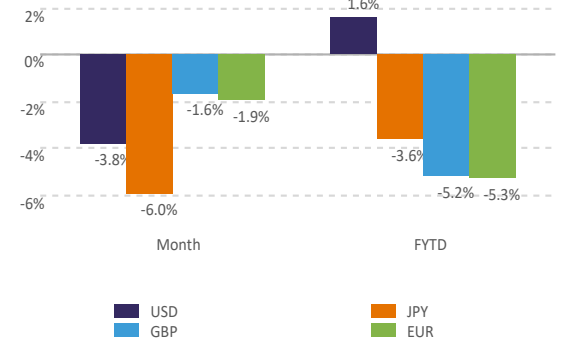
International Equities (\$A)



Source: Thomson Reuters Datastream



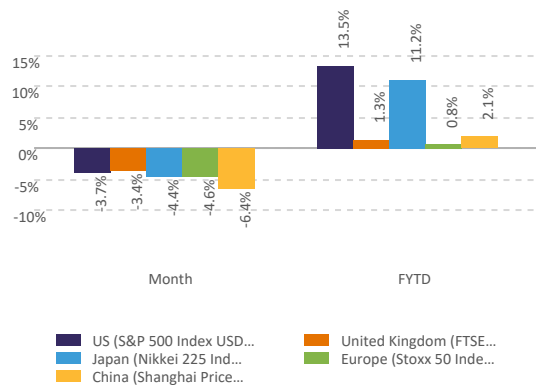
Australian dollar



Source: Thomson Reuters Datastream



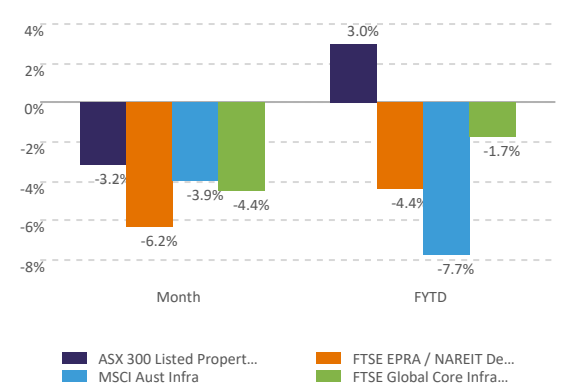
International Equities



Source: Thomson Reuters Datastream











Property



Source: Thomson Reuters Datastream

February

	Index value	Month	3 months	FYTD	1 year
 Australian equities					
S&P/ASX 300 Accum. Index	59,692	0.3%	1.8%	8.5%	10.3%
S&P/ASX 300 Accum. Industrials Index	119,715	0.6%	0.6%	5.1%	7.7%
S&P/ASX 300 Accum. Resources Index	24,520	-0.7%	7.2%	26.4%	23.8%
ASX Small Caps Accum. Index	7,737	0.0%	2.7%	18.1%	20.8%
 International equities					
MSCI World ex-Aus Index (\$A)*	8,647	-0.4%	-0.4%	9.9%	16.0%
MSCI World ex-Aus Index (Hedged \$A)*	1,639	-3.7%	1.1%	10.1%	14.7%
MSCI Emerging Markets Index (\$A)*	692	-0.9%	4.3%	17.9%	28.8%
MSCI World ex-Aus Small Cap Index (\$A)	541	-0.3%	-2.0%	8.5%	13.4%
US (S&P 500 Index in USD)	2,714	-3.9%	2.5%	12.0%	14.8%
United Kingdom (FTSE 100 Index in GBP)	7,232	-4.0%	-1.3%	-1.1%	-0.4%
Japan (Nikkei 225 Index in JPY)	22,068	-4.5%	-2.9%	10.2%	15.4%
Europe (Stoxx 50 Index in EUR)	3,439	-4.7%	-3.7%	-0.1%	3.6%
China (Shanghai Composite Index in CNY)	3,259	-6.4%	-1.7%	2.1%	0.5%
 AUD versus ...					
USD	0.78	-3.6%	2.6%	1.0%	1.4%
JPY	83.52	-5.0%	-1.7%	-3.1%	-3.5%
GBP	0.56	-1.6%	1.0%	-5.2%	-9.4%
EUR	0.64	-1.9%	-0.3%	-5.3%	-12.2%
 Property					
ASX 300 Listed Property Trusts Accum. Index	44,016	-3.2%	-6.2%	3.0%	0.5%
FTSE EPRA / NAREIT Dev. Index (Hedged \$A)*	2,359	-6.3%	-6.5%	-3.1%	-2.6%
 Oil and Commodities					
Crude Oil (\$/bbl)	62	-4.8%	7.4%	33.9%	14.1%
Copper Spot (\$/tonne)	6,895	-2.6%	2.4%	16.3%	15.6%
Gold Spot (\$/ounce)	1,318	-1.9%	2.9%	4.9%	3.6%
 Australian Fixed Interest					
Bloomberg AusBond Composite Index	9,135	0.3%	-0.5%	1.4%	2.9%
Bloomberg AusBond Government Index	9,445	0.3%	-0.9%	1.0%	2.6%
Bloomberg AusBond Corporate Index	9,516	0.4%	0.2%	2.6%	4.3%
Bloomberg AusBond Bank Bill Index	8,713	0.1%	0.4%	1.1%	1.7%
 Global Fixed Interest					
Citi Group WGBI ex-Aus (Hedged \$A)	2,269	0.1%	-0.5%	0.9%	1.9%
Barclay's Global Agg. Bond Index (Hedged \$A)	-	-0.2%	-0.7%	0.9%	2.1%
 Fixed income (yields) as at ...					
Australia Bank Bill	28-Feb-18	31-Jan-18	30-Nov-17	30-Jun-17	28-Feb-17
Australia 10 Year Government Bond	1.79	1.77	1.74	1.71	1.78
US 10 Year Government Bond	2.81	2.81	2.50	2.60	2.72
UK 10 Year Government Bond	2.86	2.71	2.41	2.30	2.39
Germany 10 Year Government Bond	1.50	1.51	1.33	1.26	1.15
Japan 10 Year Government Bond	0.66	0.70	0.37	0.47	0.21
	0.05	0.09	0.04	0.09	0.06

* Net dividends reinvested

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