

Monthly Market Snapshot

JULY 2020

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



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Market Commentary

Global equity markets produced disparate performance in the month of July. The US and China produced large positive returns, while the UK, Japan and Europe were negative for the month. Australian equities produced a small positive return, driven by strong performance from the Resources sector, while the rest of the Australian market in aggregate was negative for the month.

The US equity market has now rebounded above levels pre-COVID-19 despite the uncertainty from the upcoming Presidential election and ongoing high rates of new infections of COVID-19. The latest monthly data on employment in the US was more positive than market expectations, with the unemployment rate falling. In Europe, the unemployment rate increased but leading indicators, such as the German economic sentiment survey, suggest expectations of future economic conditions are improving from current lows.

Across the globe, central banks have reiterated their commitment to keeping rates low to support growth in the economy. The US Federal Reserve maintained the federal funds rate at 0.25% and extended its credit and lending facilities to the end of the year to further support markets.

The European Central Bank (ECB) retained its deposit facility interest rate at -0.50% and continues its existing bond buying program. The Reserve Bank of Australia (RBA) also maintained its cash rate at the current level of 0.25% and stated that the rate will not be raised for at least three years. Government bond yields fell globally in July, producing solid returns from bonds over the month.

Commodity prices have recorded material price gains in July, as global industrial production rebounds back into expansionary growth state. The gold price experienced strong price appreciation in July and is the best performed asset class over the last year.

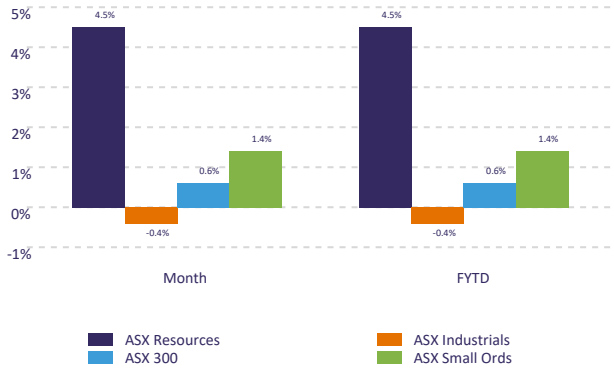
Global listed property and infrastructure produced positive returns in the month of July, outperforming Australian listed property and infrastructure, respectively.

The Australian dollar has again strengthened against the US dollar in the month of July and has now rebounded strongly from the lows in late March and has appreciated over the last twelve months. Conversely the Great British Pound and Euro appreciated in July.

Jul 2020



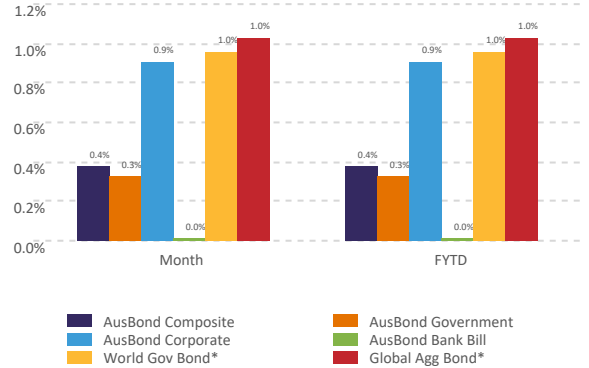
Australian Equities



Source: Refinitiv Datastream



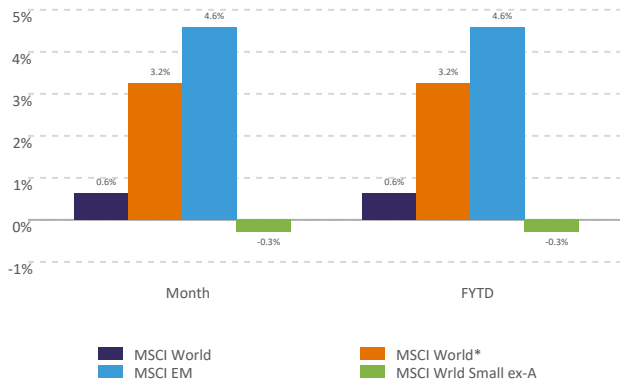
Fixed Income



Source: Refinitiv Datastream *Hedged AS



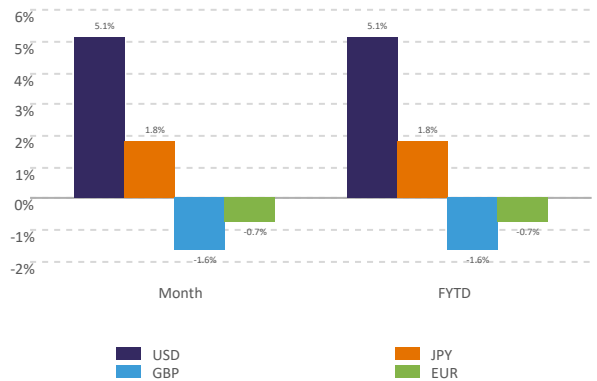
International Equities (\$A)



Source: Refinitiv Datastream *Hedged AS



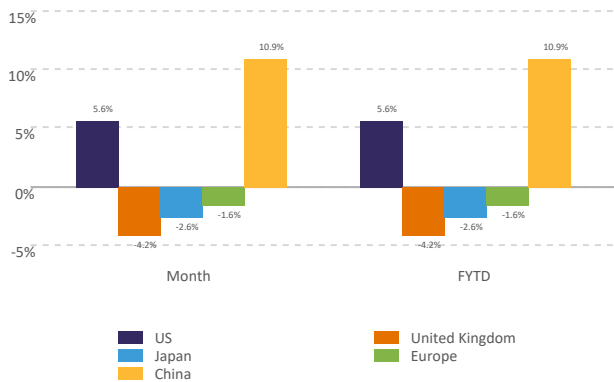
Australian Dollar



Source: Refinitiv Datastream



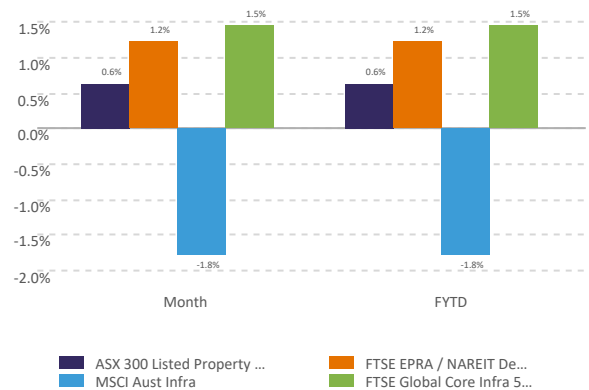
International Equities



Source: Refinitiv Datastream











Real Assets



Source: Refinitiv Datastream *Hedged AS

Details of the indices are in the table on the next page

Jul 2020

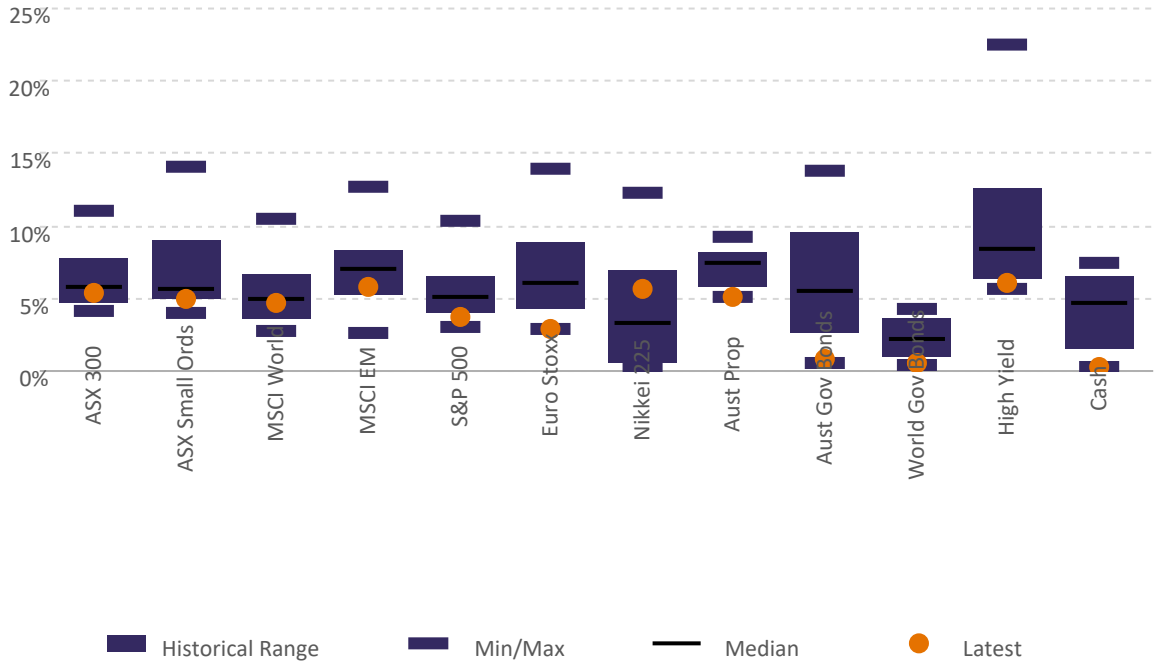
	Index Value	Month	3 Months	FYTD	1 Year	
Australian Equities						
	S&P/ASX 300 Accum. Index	5,894	0.6%	7.8%	0.6%	-9.7%
	S&P/ASX 300 Accum. Industrials Index	8,969	-0.4%	6.0%	-0.4%	-11.2%
	S&P/ASX 300 Accum. Resources Index	4,586	4.5%	14.9%	4.5%	-3.9%
	ASX Small Caps Accum. Index	2,634	1.4%	9.9%	1.4%	-8.5%
International Equities						
	MSCI World ex-Aus Index (\$A)	3,680	0.6%	2.9%	0.6%	3.4%
	MSCI World ex-Aus Index (Hedged \$A)	3,014	4.8%	12.6%	4.8%	6.5%
	MSCI Emerging Markets Index (\$A)	1,086	4.6%	7.6%	4.6%	2.4%
	MSCI World ex-Aus Small Cap Index (\$A)	444	-0.3%	3.9%	-0.3%	-5.9%
	US (S&P 500 Index in USD)*	3,271	5.5%	12.3%	5.5%	9.8%
	United Kingdom (FTSE 100 Index in GBP)*	5,898	-4.4%	-0.1%	-4.4%	-22.3%
	Japan (Nikkei 225 Index in JPY)*	21,710	-2.6%	7.5%	-2.6%	0.9%
	Europe (Stoxx 50 Index in EUR)*	3,174	-1.8%	8.4%	-1.8%	-8.4%
	China (Shanghai Composite Index in CNY)*	3,310	10.9%	15.7%	10.9%	12.9%
AUD versus ...						
	USD	0.72	5.1%	9.9%	5.1%	4.6%
	JPY	75.27	1.8%	7.7%	1.8%	0.6%
	GBP	0.55	-1.6%	4.5%	-1.6%	-3.0%
	EUR	0.61	-0.7%	0.4%	-0.7%	-1.8%
Real Assets						
	ASX 300 Listed Property Trusts Accum. Index	1,212	0.6%	6.4%	0.6%	-22.2%
	FTSE EPRA / NAREIT Dev. Index (Hedged \$A)	1,434	1.2%	3.6%	1.2%	-17.4%
	MSCI Australia Infrastructure	1,201	-1.8%	1.1%	-1.8%	-9.7%
	FTSE Global Core Infra 50/50 Index (Hedged \$A)	2,147	1.5%	2.8%	1.5%	-5.9%
Oil and Commodities						
	Crude Oil (US\$/bbl)	39.8	1.3%	111.1%	1.3%	-32.1%
	Copper Spot (US\$/tonne)	6,422	7.0%	24.5%	7.0%	8.8%
	Gold Spot (US\$/ounce)	1,975	10.7%	15.9%	10.7%	38.3%
Australian Fixed Interest						
	Bloomberg AusBond Composite Index	10,641	0.4%	1.0%	0.4%	3.6%
	Bloomberg AusBond Government Index	11,169	0.3%	0.5%	0.3%	3.5%
	Bloomberg AusBond Corporate Index	10,891	0.9%	2.4%	0.9%	3.6%
	Bloomberg AusBond Bank Bill Index	9,017	0.0%	0.0%	0.0%	0.7%
Global Fixed Interest						
	FTSE WGBI ex-Aus (Hedged \$A)	2,652	1.0%	1.1%	1.0%	6.4%
	Barclay's Global Agg. Bond Index (Hedged \$A)	1,107	1.0%	1.8%	1.0%	5.5%
Fixed Income (yields) as at ...						
		Jul 2020	Jun 2020	Apr 2020	Jun 2020	Jul 2019
	Australia Bank Bill	0.09	0.09	0.10	0.09	1.01
	Australia 10-Year Government Bond	0.83	0.88	0.91	0.88	1.20
	US 10-Year Government Bond	0.54	0.65	0.63	0.65	2.02
	UK 10-Year Government Bond	0.11	0.17	0.23	0.17	0.61
	Germany 10-Year Government Bond	-0.53	-0.46	-0.59	-0.46	-0.44
	Japan 10-Year Government Bond	0.02	0.03	-0.04	0.03	-0.15

Source: Refinitiv Datastream

*Price Index

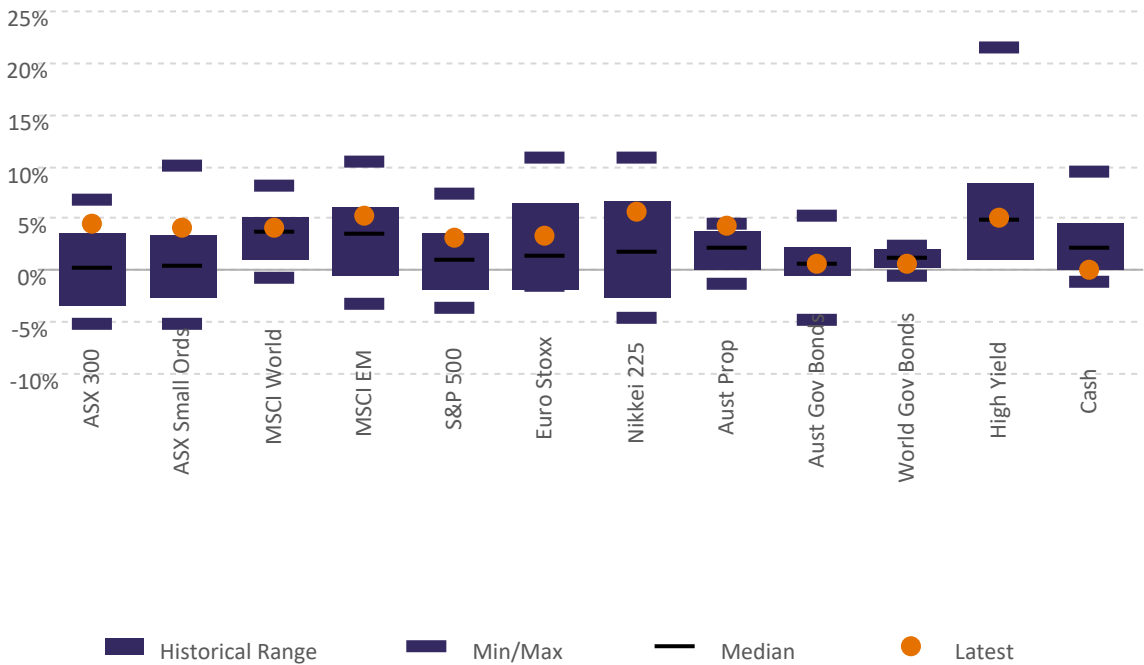
Asset Class Yields Relative to History

Current Yields (equities earnings)



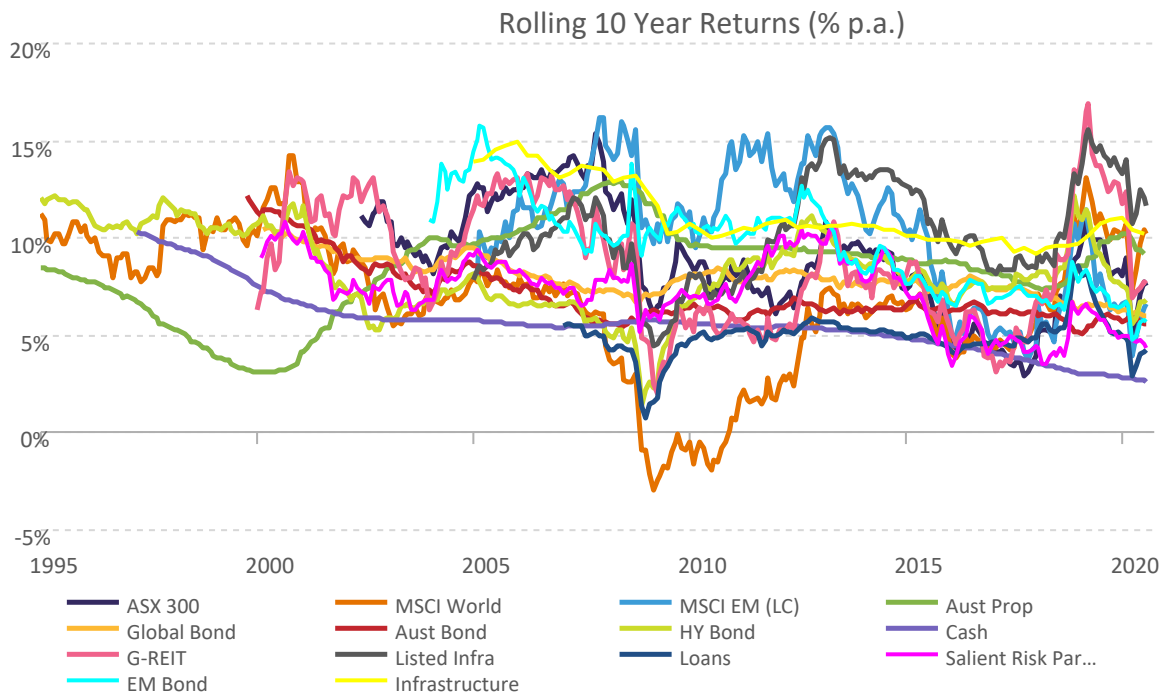
Source: Refinitiv Datastream

Relative Yields (vs bond or cash yield)

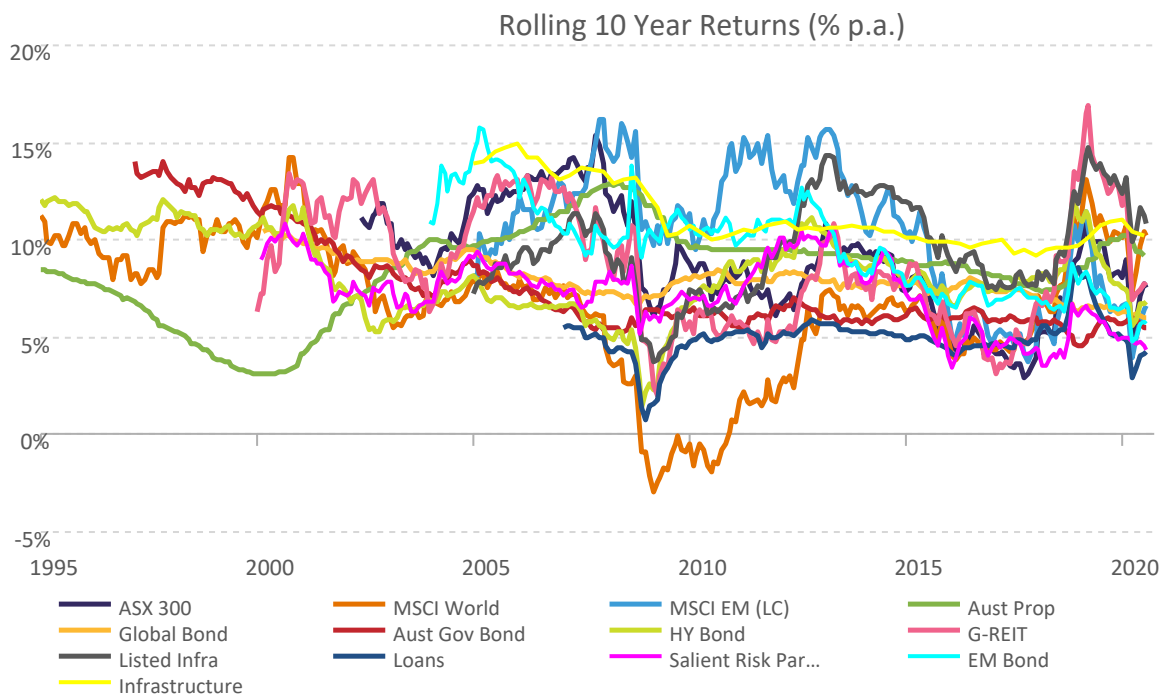


Source: Refinitiv Datastream

Asset Class Long-Term Returns



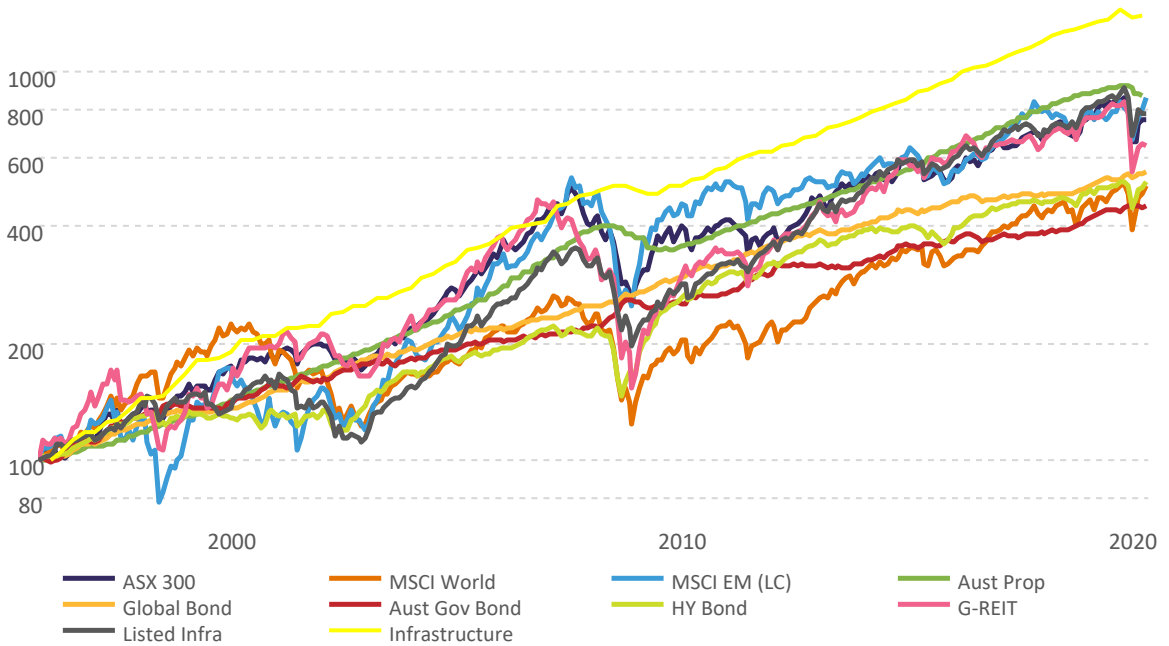
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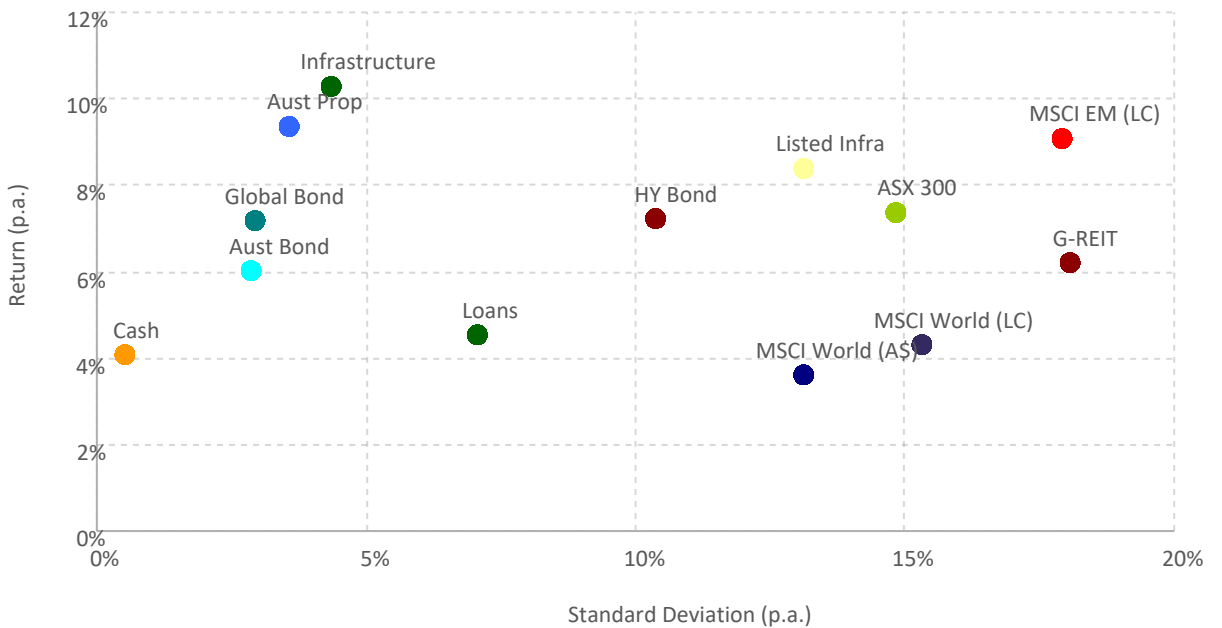
Asset Class Long-Term Returns

Cumulative Values since 1/01/1996 (\$100 reinvested)



Source: Refinitiv Datastream

Return-Risk Profile over 20 Years (p.a.) to Jul 20



Source: Refinitiv Datastream

Monthly Market Snapshot

MARCH 2020

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



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Market Commentary

Global equity markets continued to fall sharply as the COVID-19 outbreak evolved into a global pandemic. While the outbreak decelerated in China, the number of cases in other countries approached 900,000 by the end of March. To counteract the contagion, governments across the globe have proceeded with the implementation of stricter quarantine measures on travel, social distancing and closure of educational institutions and non-essential businesses. A global recession this year now seems likely, with debate now focusing on the depth and duration rather than IF it will occur.

Economic activity in China data shows some signs of improvement in March with PMI data rebounding from a record low PMI. Retail data show sales were down 20% in February, and while there has been signs of an increase in activity over March, they remain below typical levels. Authorities eased credit conditions in an attempt to avoid large increases of unemployment and non-performing loans that would subsequently impact heavily on economic conditions. China's coal consumption remains 20% below the usual average for this time of year. The key area to watch in coming months will be whether or not a new wave of infections occur as quarantine measures are relaxed as infection rates slow.

Globally, aggressive monetary and fiscal policy have continued throughout March as governments attempt to curb the negative impacts of COVID-19. This included the Federal Reserve cutting policy rates to close to zero, the Reserve Bank of Australia indicating that the cash rate would stay at a very low level for a prolonged period, and the ECB announcing its intention to introduce a debt-buying program.

Domestically, the Australian Government announced broader quarantine measures including state border closures and tighter travel restrictions. As a result, Australian equities continued to follow the trend of the global equity market, producing negative returns over the month.

The RBA indicated it was developing a complementary program of support for non-bank financial institutions, small lenders, and the securitisation market which would be implemented by the Australian Office of Financial Management (AOFM). The RBA advised that it was not possible to provide updated forecasts for the economy given the high uncertainty of COVID-19, but Australia would be likely to experience a material contraction in economic activity across the March and June quarters and potentially longer. Crude oil and commodity prices were the worst performers over the month with the oil price falling more than 60 percent since January 20. This continues to impact the Australian dollar, which depreciated further against major currencies over the month.

US economic conditions fell sharply as the number of COVID-19 outbreaks exceeded any other country. A stimulus package equating to 10% GDP was announced over the month which in turn increases jobless benefits for the coming months. The jobless claims exceeded 6 million, a historical high. The other key development in the US is the Democratic Party presidential primaries, with the announcement of Bernie Sanders suspending his campaign and bowing out to Joe Biden.

In Europe, France, Spain and Germany joined the Italians in enforcing nation-wide quarantine restrictions and expansive fiscal support. Composite PMI for the Euro area dropped sharply in March, and has now contracted for 14 consecutive months. Japan confirmed that the summer Olympics would be postponed to 2021 and announced school closures in an effort to contain its domestic COVID-19 outbreak. Services PMI experienced its lowest-ever level at 28.4, while the manufacturing index fell 3 points to 44.8; the lowest since the global financial crisis.

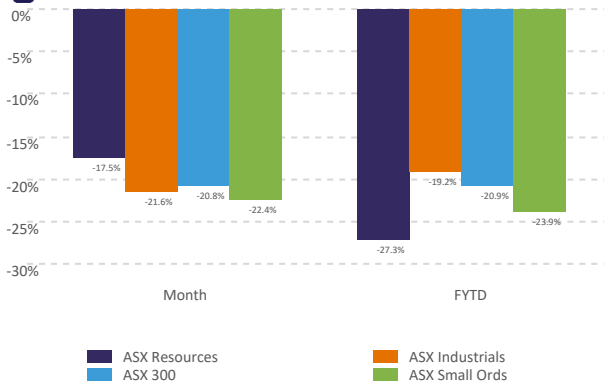
Bond markets delivered fairly neutral returns in March, impacted by ongoing easing monetary policy and continued uncertainty about the severity and duration of the coronavirus outbreak.

Listed property and infrastructure followed the broader equity markets in March and fell sharply over the month.

March 2020



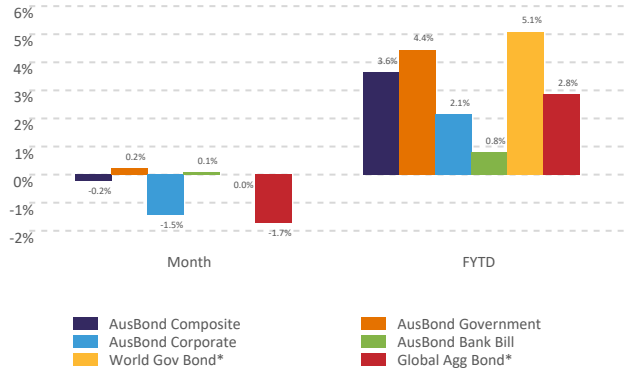
Australian Equities



Source: Refinitiv Datastream



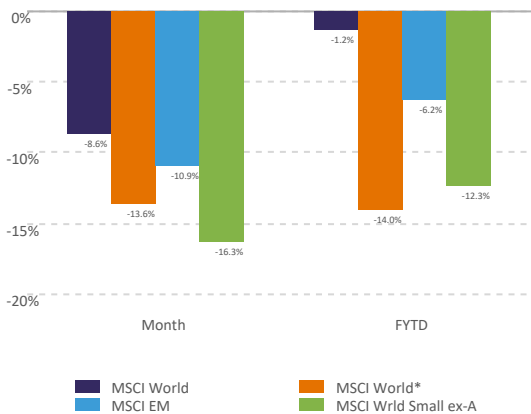
Fixed Income



Source: Refinitiv Datastream *Hedged AS



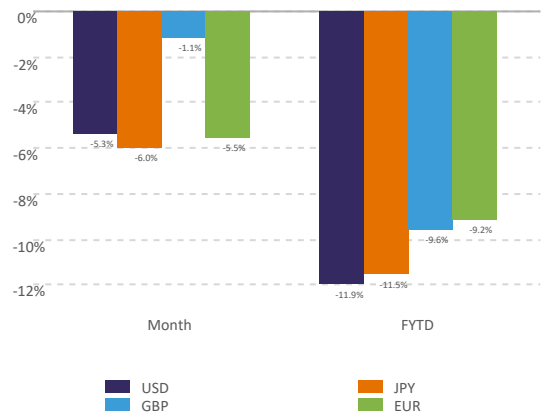
International Equities (\$A)



Source: Refinitiv Datastream *Hedged AS



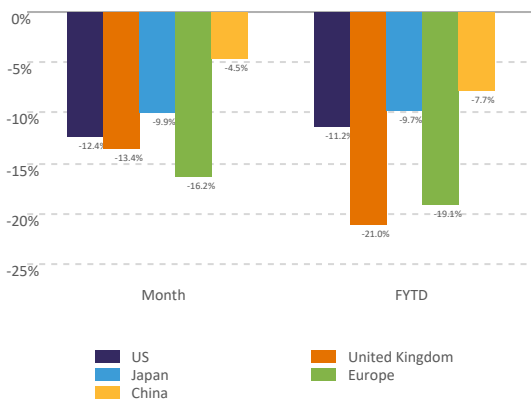
Australian Dollar



Source: Refinitiv Datastream



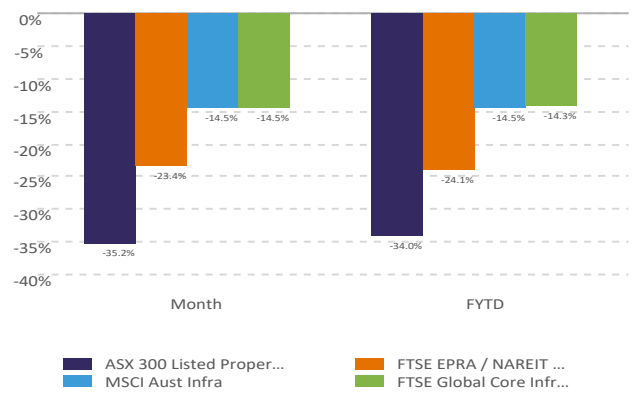
International Equities



Source: Refinitiv Datastream











Property



Source: Refinitiv Datastream *Hedged AS

Details of the indexes are in the table on the next page

March 2020

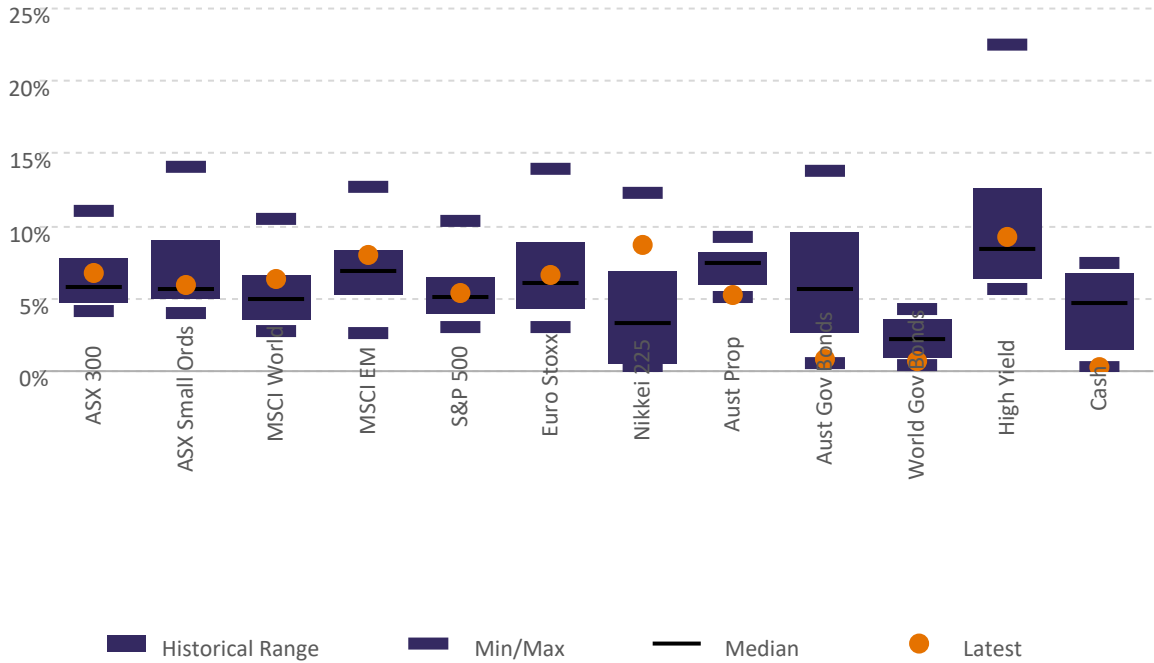
	Index value	Month	3 months	FYTD	1 year
Australian Equities					
 S&P/ASX 300 Accum. Index	54,885	-20.8%	-23.4%	-20.9%	-14.5%
S&P/ASX 300 Accum. Industrials Index	109,870	-21.6%	-22.2%	-19.2%	-12.1%
S&P/ASX 300 Accum. Resources Index	43,769	-17.5%	-28.0%	-27.3%	-23.6%
ASX Small Caps Accum. Index	6,317	-22.4%	-26.7%	-23.9%	-21.0%
International Equities					
 MSCI World ex-Aus Index (\$A)*	10,088	-8.3%	-9.0%	-0.7%	4.4%
MSCI World ex-Aus Index (Hedged \$A)*	1,516	-13.4%	-21.1%	-14.0%	-11.1%
MSCI Emerging Markets Index (\$A)*	659	-10.9%	-12.3%	-6.2%	-4.5%
MSCI World ex-Aus Small Cap Index (\$A)	511	-16.6%	-19.8%	-13.3%	-11.0%
US (S&P 500 Index in USD)	2,585	-12.5%	-20.0%	-12.1%	-8.8%
United Kingdom (FTSE 100 Index in GBP)	5,672	-13.8%	-24.8%	-23.6%	-22.1%
Japan (Nikkei 225 Index in JPY)	18,917	-10.5%	-20.0%	-11.1%	-10.8%
Europe (Stoxx 50 Index in EUR)	2,787	-16.3%	-25.6%	-19.8%	-16.9%
China (Shanghai Composite Index in CNY)	2,750	-4.5%	-9.8%	-7.7%	-11.0%
AUD versus ...					
 USD	0.61	-5.7%	-12.6%	-12.7%	-13.6%
JPY	66.85	-6.0%	-12.2%	-11.5%	-14.8%
GBP	0.50	-1.1%	-6.3%	-9.6%	-7.7%
EUR	0.56	-5.5%	-10.4%	-9.2%	-11.2%
Property					
 ASX 300 Listed Property Trusts Accum. Index	38,103	-35.2%	-34.3%	-34.0%	-31.3%
FTSE EPRA / NAREIT Dev. Index (Hedged \$A)*	2,118	-23.4%	-28.6%	-24.1%	-24.5%
Oil and Commodities					
 Crude Oil (\$/bbl)	20	-54.2%	-66.5%	-65.0%	-65.9%
Copper Spot (\$/tonne)	4,939	-12.1%	-19.7%	-17.4%	-23.9%
Gold Spot (\$/ounce)	1,597	1.6%	4.0%	11.1%	19.7%
Australian Fixed Interest					
 Bloomberg AusBond Composite Index	10,546	-0.2%	3.0%	3.6%	6.8%
Bloomberg AusBond Government Index	11,159	0.2%	4.1%	4.4%	8.0%
Bloomberg AusBond Corporate Index	10,625	-1.5%	0.7%	2.1%	4.9%
Bloomberg AusBond Bank Bill Index	9,010	0.1%	0.3%	0.8%	1.2%
Global Fixed Interest					
 FTSE WGBI ex-Aus (Hedged \$A)	2,594	0.0%	3.9%	5.1%	8.1%
Barclay's Global Agg. Bond Index (Hedged \$A)	-	-1.7%	1.3%	2.8%	5.6%
Fixed Income (yields) as at ...					
 Australia Bank Bill	0.36	0.80	0.91	1.21	1.77
Australia 10-Year Government Bond	0.76	0.82	1.37	1.32	1.78
US 10-Year Government Bond	0.67	1.15	1.92	2.01	2.41
UK 10-Year Government Bond	0.36	0.44	0.82	0.83	1.00
Germany 10-Year Government Bond	-0.47	-0.61	-0.19	-0.33	-0.07
Japan 10-Year Government Bond	0.02	-0.15	-0.01	-0.16	-0.08

Source: Bloomberg

*Net dividends reinvested

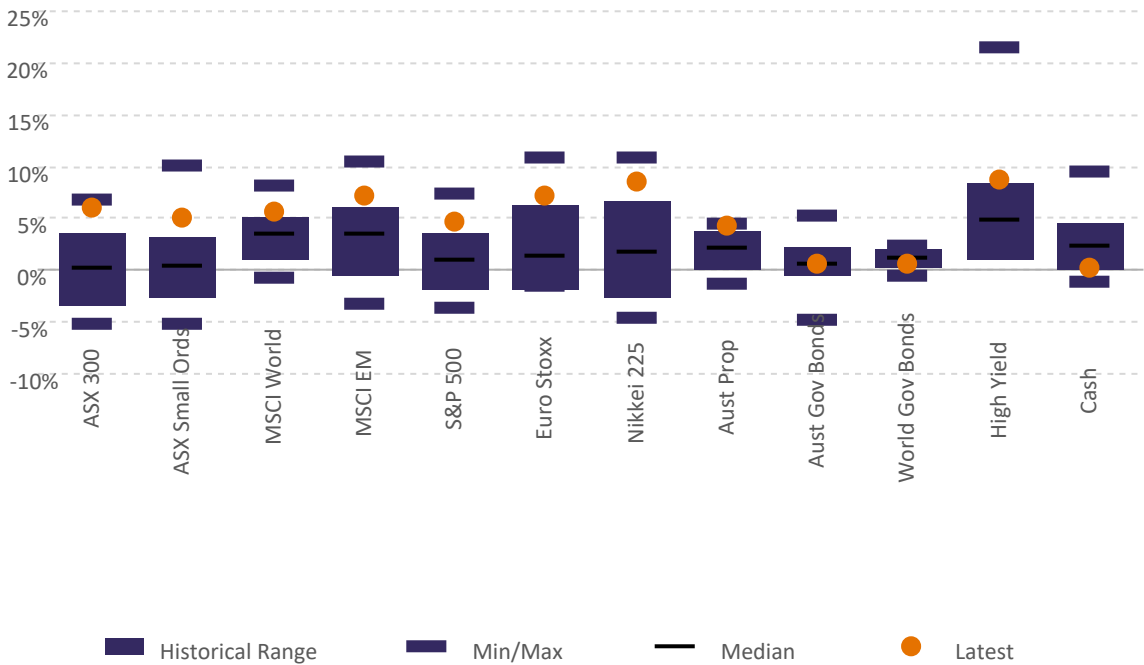
Asset Class Yields Relative to History

Current Yields (equities earnings)



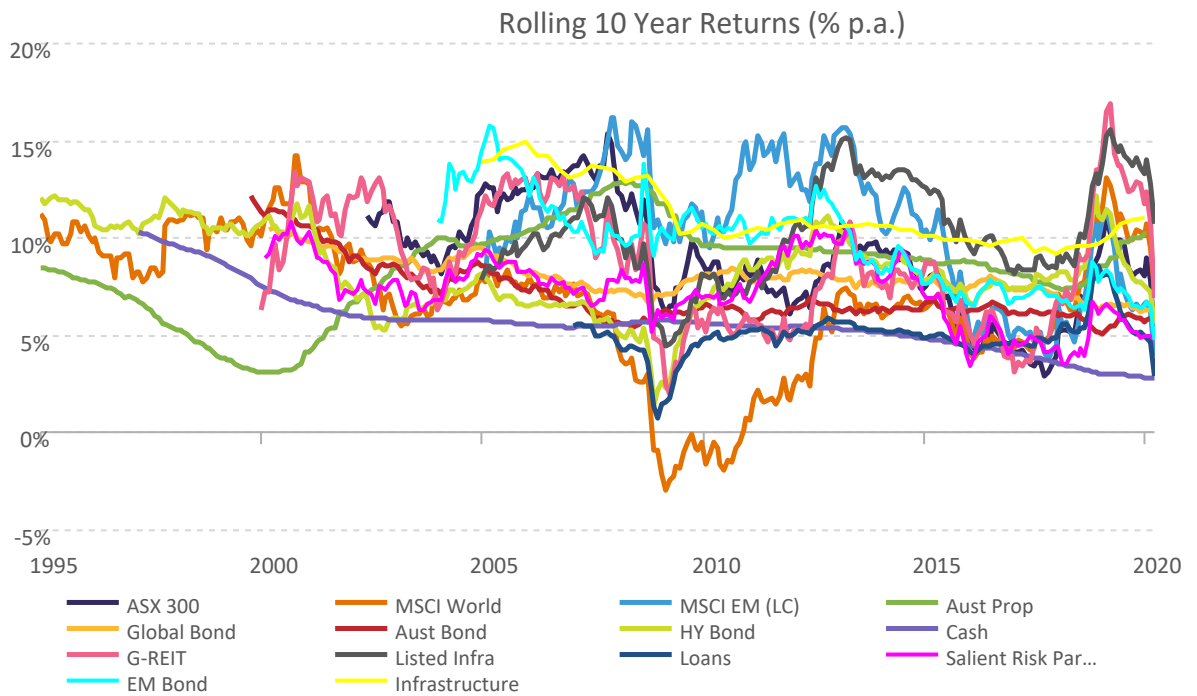
Source: Refinitiv Datastream

Relative Yields (vs bond or cash yield)

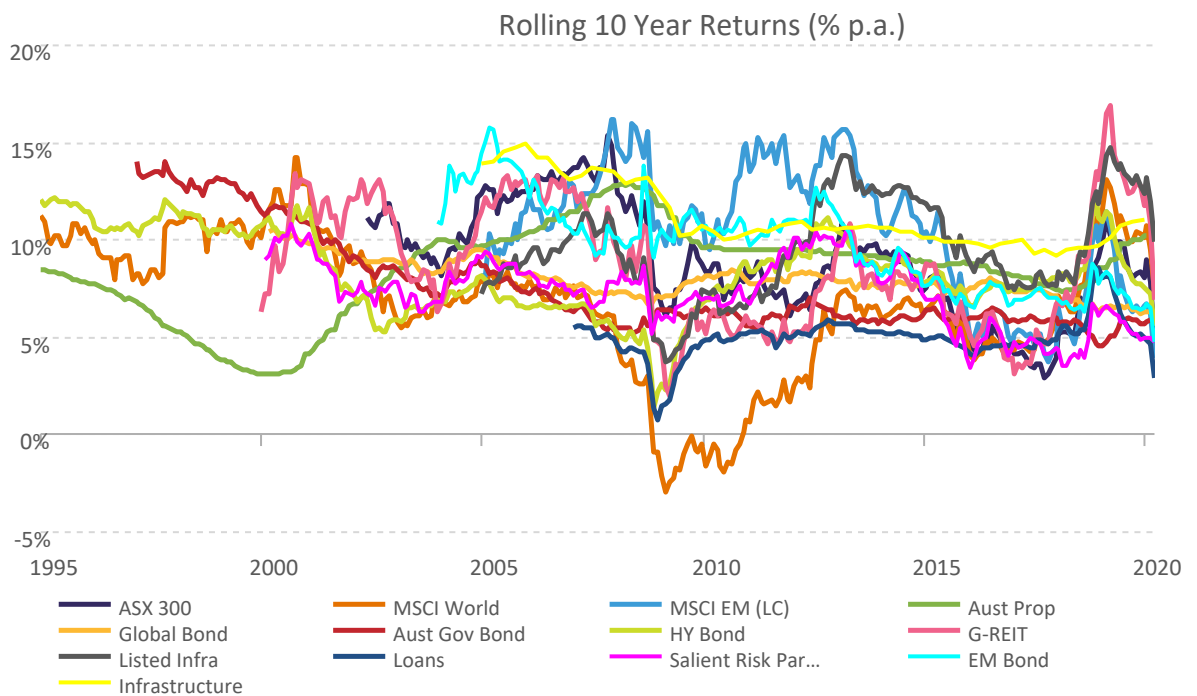


Source: Refinitiv Datastream

Asset Class Long-Term Returns



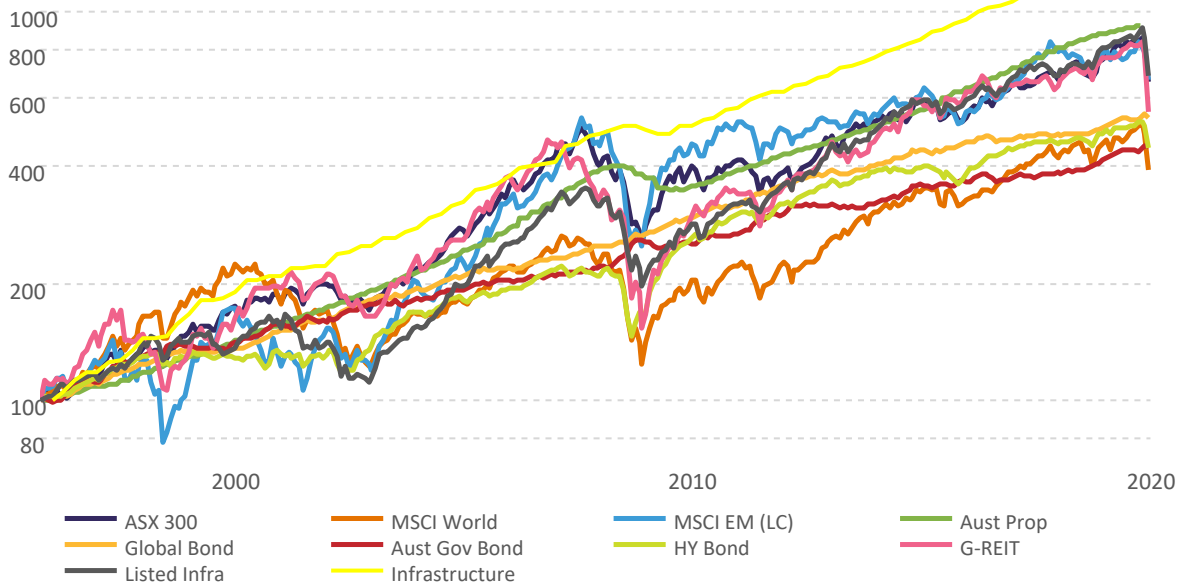
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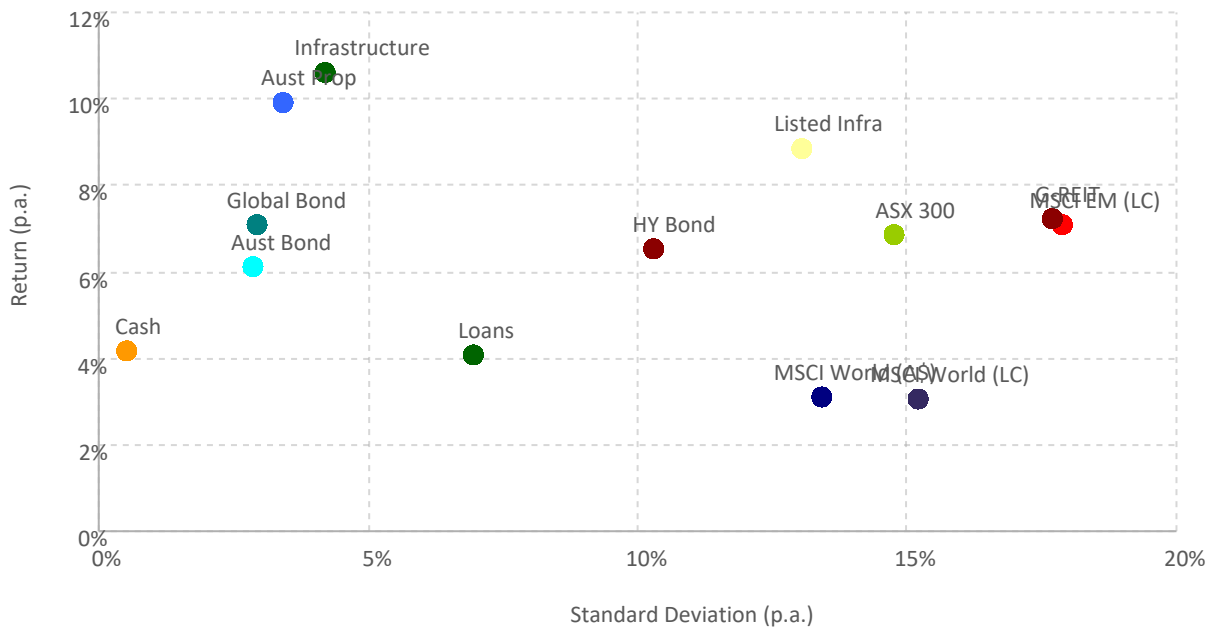
Asset Class Long-Term Returns

Cumulative Values since 1/01/1996 (\$100 reinvested)



Source: Refinitiv Datastream

Return-Risk Profile over 20 Years (p.a.) to Mar 20



Source: Refinitiv Datastream

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