

Monthly Market Snapshot

JUNE 2020

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



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Market Commentary

The past financial year started with unresolved US-China trade tensions but then the COVID-19 pandemic triggered the largest global recession since at least the early 1900s. Despite reduced infection rates in some countries, globally the virus continues to spread. Restrictive containment measures have contributed to sharp rises in unemployment and dramatic falls in travel and global production. Gradually, economies have started to reopen but activity is still below previous levels and in some cases there has been a reintroduction of restrictions as new COVID-19 cases have started to rise again. In addition, a dispute between Saudi Arabia and Russia contributed to the oil price falling precipitously during the year. Subsequently, the price has roughly doubled from the lows in April but is still around 40% lower than a year ago.

There has been unprecedented policy response to the pandemic. The US Federal Reserve and the Reserve Bank of Australia (RBA) have cut rates to almost zero. Central Banks have implemented very large quantitative easing, including the RBA for the first time, and governments have provided large fiscal support.

Markets experienced extreme volatility. Equity markets fell abruptly and then rebounded very strongly. The result over the 12 months was a small positive from US and Japanese equities, a negative in Europe and a large negative from UK equities, (also detrimentally impacted by Brexit). Emerging market equities produced a small negative return, although some countries such as China were positive while others more impacted by the pandemic and oil prices, such as Brazil, were negative. Australian equities also had a negative return over the financial year. The Energy sector produced particularly large negative returns and financials were negatively impacted by the pandemic and ongoing regulatory issues.

Property has been particularly hard hit, both the immediate impact of reduced demand, and the expectation that it will accelerate the trends of online retail and working from home. Although listed property prices have rebounded strongly, the return for the year is a large negative. Listed infrastructure experienced the same pattern of returns but not as large a negative return, with utilities performing relatively well, while airports have been particularly hard hit.

Bond yields fell over the year providing solid returns from government bonds. Credit spreads initially increased very sharply and then contracted, so that overall corporate bonds only moderately underperformed government bonds over the year. The Australian Dollar fell materially, at one point it was below US\$0.58, but it has subsequently recovered. Over the year, the Australian Dollar only depreciated by a small amount against the US Dollar, Euro and Japanese Yen, and appreciated a small amount against the British Pound, which was negatively impacted by Brexit.

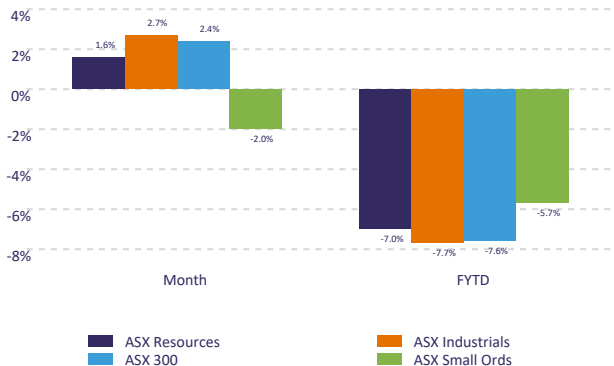
In the June month, markets have been relatively more restrained as economies opening up are offset by increasing spread of the virus. Equity markets globally, including Australia, produced positive returns. However, Australian listed property and global listed infrastructure produced negative returns after strong returns in May. Commodity prices continued to rebound in June in response to increasing economic activity.

There was little change in yields in June, with bonds producing small positive returns, while corporate bonds produced higher returns as credit spreads contracted further. The Australian Dollar continued to appreciate against all major currencies in June.

Jun 2020



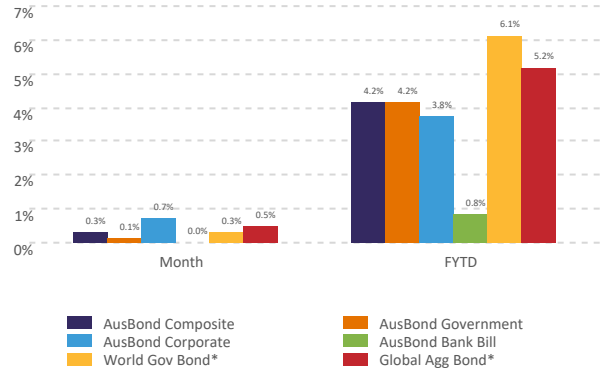
Australian Equities



Source: Refinitiv Datastream



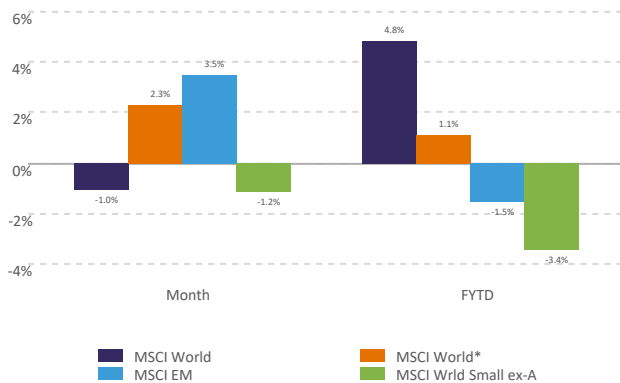
Fixed Income



Source: Refinitiv Datastream *Hedged AS



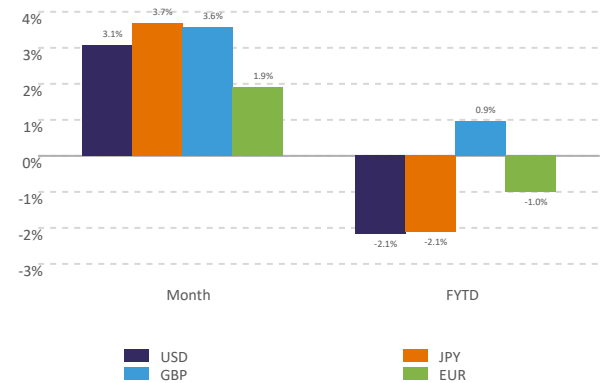
International Equities (\$A)



Source: Refinitiv Datastream *Hedged AS



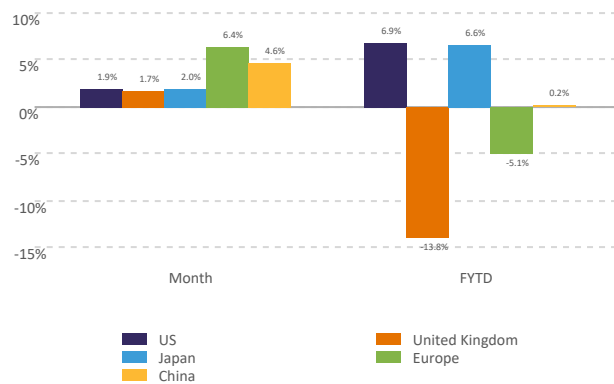
Australian Dollar



Source: Refinitiv Datastream



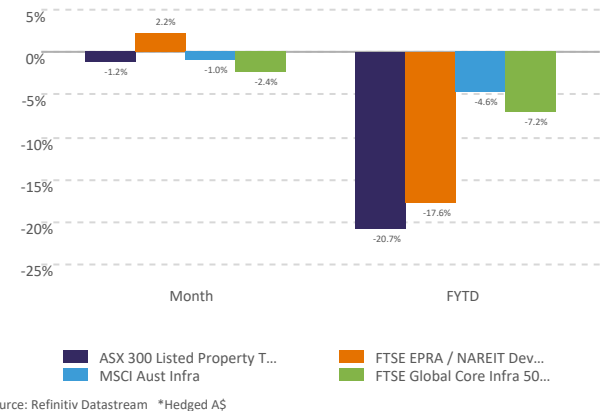
International Equities



Source: Refinitiv Datastream











Real Assets



Source: Refinitiv Datastream *Hedged AS

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

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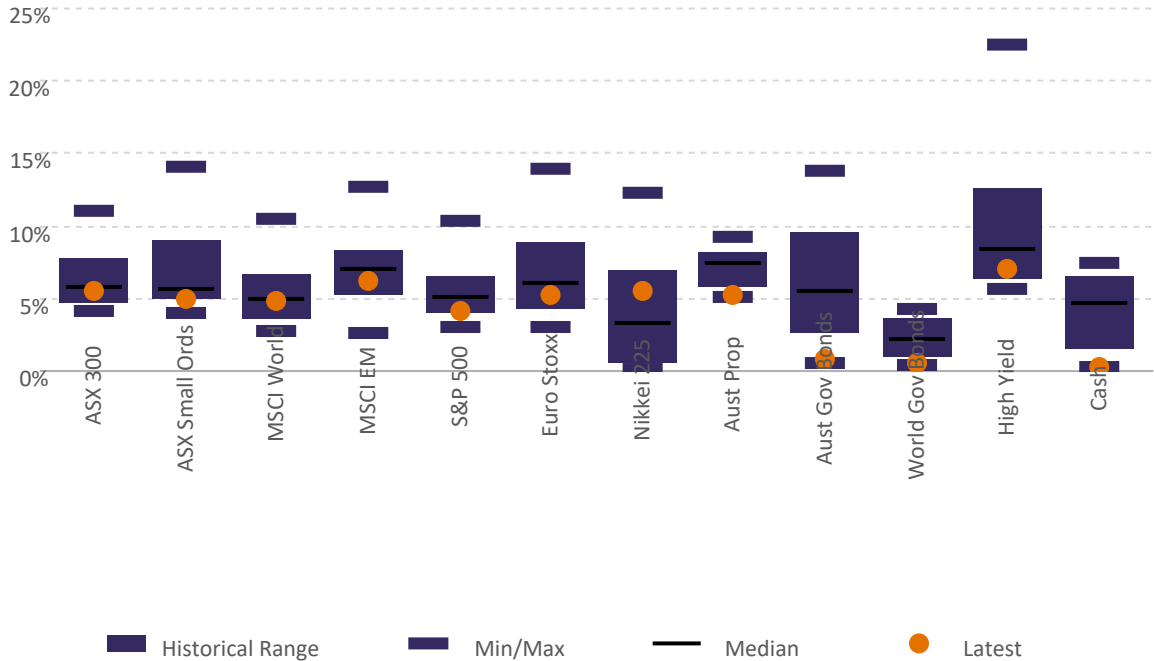
| | Index Value | Month | 3 Months | FYTD | 1 Year | |
|--|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| Australian Equities | | | | | | |
|  | S&P/ASX 300 Accum. Index | 5,859 | 2.4% | 16.8% | -7.6% | -7.6% |
| | S&P/ASX 300 Accum. Industrials Index | 9,005 | 2.7% | 14.2% | -7.7% | -7.7% |
| | S&P/ASX 300 Accum. Resources Index | 4,389 | 1.6% | 27.9% | -7.0% | -7.0% |
| | ASX Small Caps Accum. Index | 2,599 | -2.0% | 23.9% | -5.7% | -5.7% |
| International Equities | | | | | | |
|  | MSCI World ex-Aus Index (\$A) | 3,662 | -1.1% | 5.9% | 5.2% | 5.2% |
| | MSCI World ex-Aus Index (Hedged \$A) | 2,879 | 2.5% | 19.2% | 2.4% | 2.4% |
| | MSCI Emerging Markets Index (\$A) | 1,044 | 3.5% | 5.0% | -1.5% | -1.5% |
| | MSCI World ex-Aus Small Cap Index (\$A) | 446 | -1.2% | 10.2% | -3.4% | -3.4% |
| | US (S&P 500 Index in USD)* | 3,100 | 1.8% | 20.0% | 5.4% | 5.4% |
| | United Kingdom (FTSE 100 Index in GBP)* | 6,170 | 1.5% | 8.8% | -16.9% | -16.9% |
| | Japan (Nikkei 225 Index in JPY)* | 22,288 | 1.9% | 17.8% | 4.8% | 4.8% |
| | Europe (Stoxx 50 Index in EUR)* | 3,234 | 6.0% | 16.0% | -6.9% | -6.9% |
| | China (Shanghai Composite Index in CNY)* | 2,985 | 4.6% | 8.5% | 0.2% | 0.2% |
| AUD versus ... | | | | | | |
|  | USD | 0.69 | 3.1% | 11.1% | -2.1% | -2.1% |
| | JPY | 73.94 | 3.7% | 10.6% | -2.1% | -2.1% |
| | GBP | 0.56 | 3.6% | 11.6% | 0.9% | 0.9% |
| | EUR | 0.61 | 1.9% | 9.0% | -1.0% | -1.0% |
| Real Assets | | | | | | |
|  | ASX 300 Listed Property Trusts Accum. Index | 1,204 | -1.2% | 20.2% | -20.7% | -20.7% |
| | FTSE EPRA / NAREIT Dev. Index (Hedged \$A) | 1,420 | 2.2% | 8.6% | -17.6% | -17.6% |
| | MSCI Australia Infrastructure | 1,222 | -1.0% | 11.5% | -4.6% | -4.6% |
| | FTSE Global Core Infra 50/50 Index (Hedged \$A) | 2,120 | -2.4% | 8.3% | -7.2% | -7.2% |
| Oil and Commodities | | | | | | |
|  | Crude Oil (US\$/bbl) | 39.3 | 16.5% | 91.7% | -32.6% | -32.6% |
| | Copper Spot (US\$/tonne) | 6,005 | 12.2% | 21.6% | 0.4% | 0.4% |
| | Gold Spot (US\$/ounce) | 1,784 | 3.0% | 10.6% | 26.3% | 26.3% |
| Australian Fixed Interest | | | | | | |
|  | Bloomberg AusBond Composite Index | 10,602 | 0.3% | 0.5% | 4.2% | 4.2% |
| | Bloomberg AusBond Government Index | 11,133 | 0.1% | -0.2% | 4.2% | 4.2% |
| | Bloomberg AusBond Corporate Index | 10,793 | 0.7% | 1.6% | 3.8% | 3.8% |
| | Bloomberg AusBond Bank Bill Index | 9,016 | 0.0% | 0.1% | 0.8% | 0.8% |
| Global Fixed Interest | | | | | | |
|  | FTSE WGBI ex-Aus (Hedged \$A) | 2,627 | 0.3% | 1.0% | 6.1% | 6.1% |
| | Barclay's Global Agg. Bond Index (Hedged \$A) | 1,096 | 0.5% | 2.3% | 5.2% | 5.2% |
| Fixed Income (yields) as at ... | | | | | | |
|  | | Jun 2020 | May 2020 | Mar 2020 | Jun 2019 | Jun 2019 |
| | Australia Bank Bill | 0.09 | 0.09 | 0.35 | 1.22 | 1.22 |
| | Australia 10-Year Government Bond | 0.88 | 0.90 | 0.81 | 1.32 | 1.32 |
| | US 10-Year Government Bond | 0.65 | 0.64 | 0.70 | 2.00 | 2.00 |
| | UK 10-Year Government Bond | 0.17 | 0.18 | 0.36 | 0.83 | 0.83 |
| | Germany 10-Year Government Bond | -0.46 | -0.45 | -0.46 | -0.33 | -0.33 |
| | Japan 10-Year Government Bond | 0.03 | 0.01 | 0.02 | -0.16 | -0.16 |

Source: Refinitiv Datastream

*Price Index

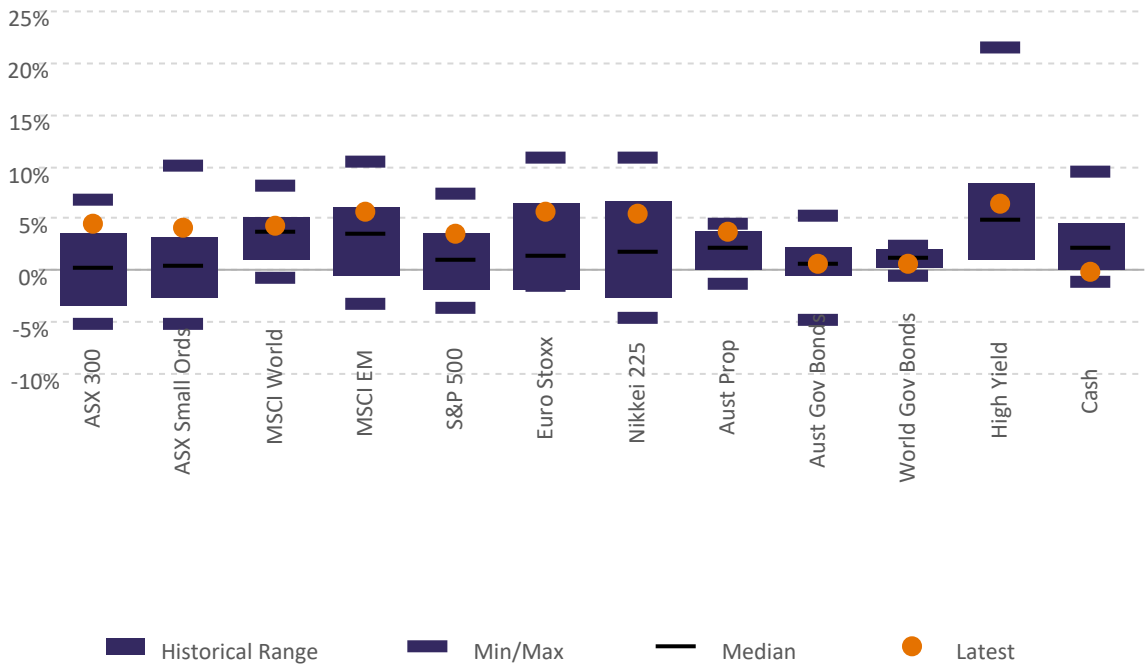
Asset Class Yields Relative to History

Current Yields (equities earnings)



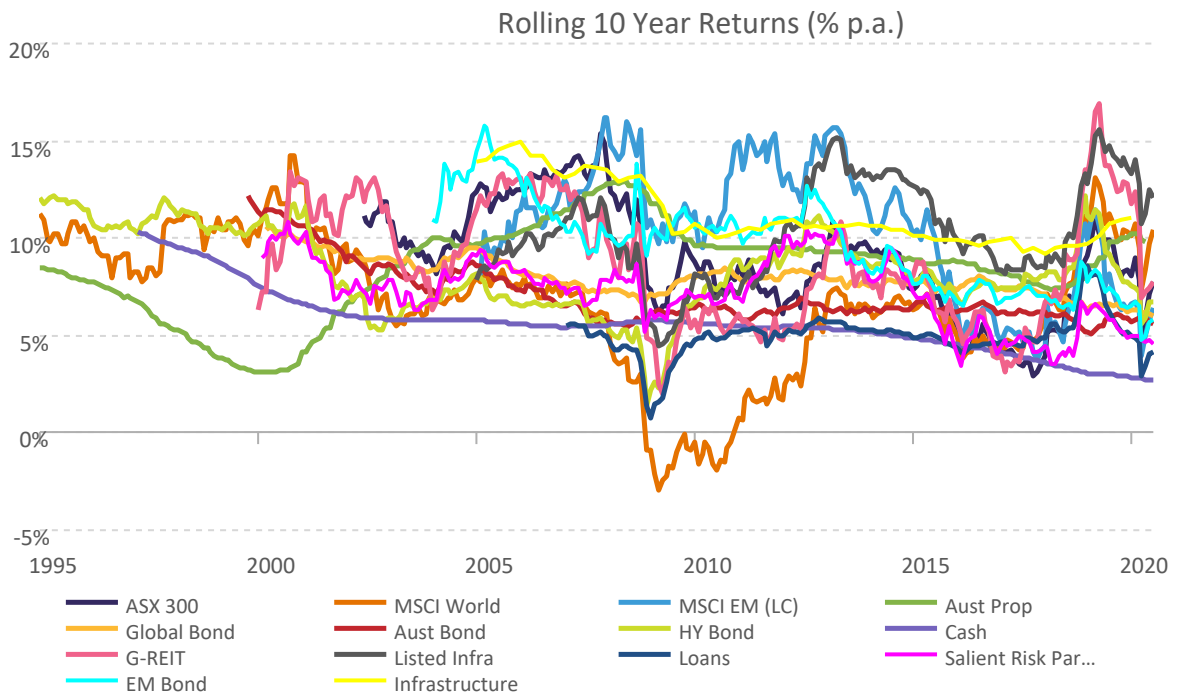
Source: Refinitiv Datastream

Relative Yields (vs bond or cash yield)

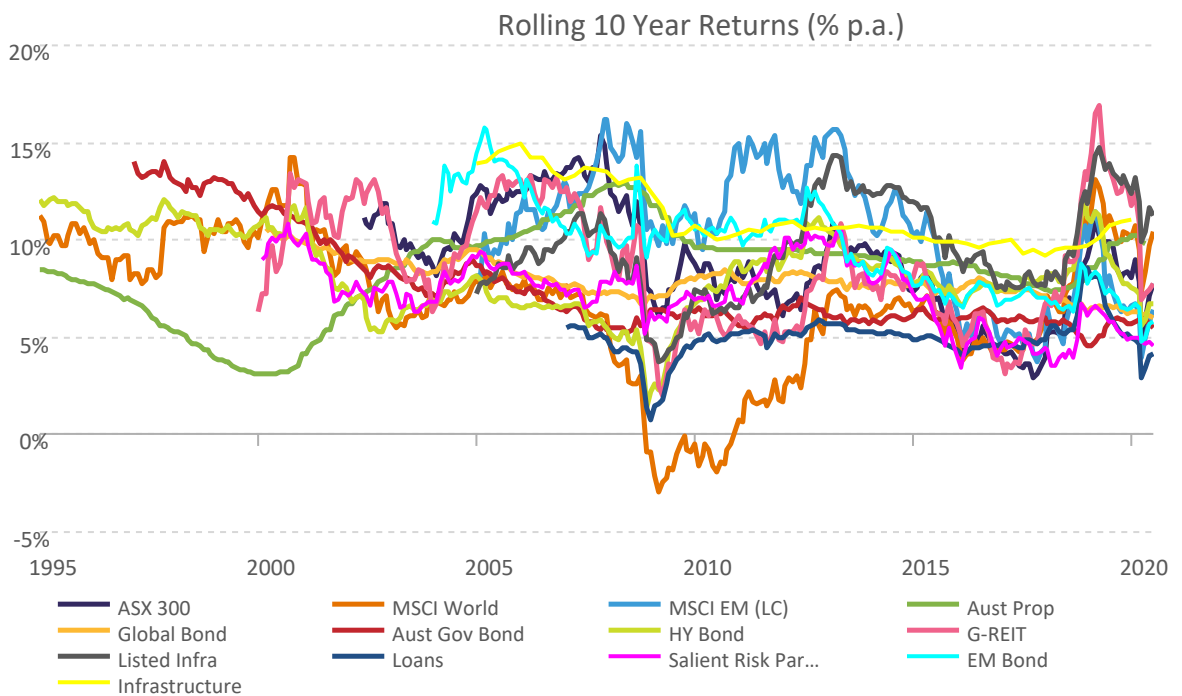


Source: Refinitiv Datastream

Asset Class Long-Term Returns



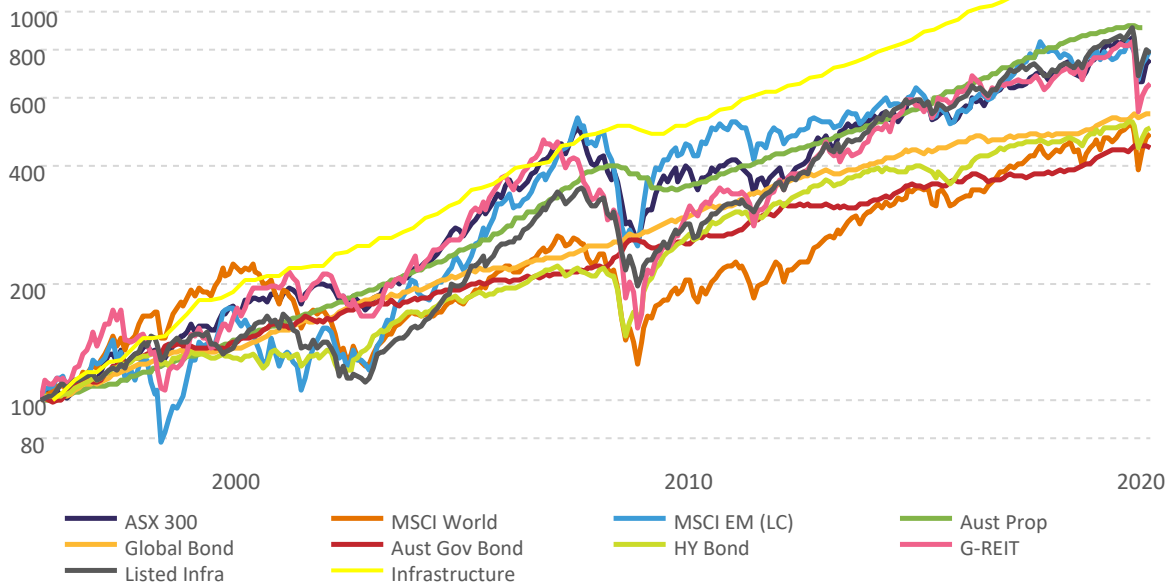
Source: Refinitiv Datastream



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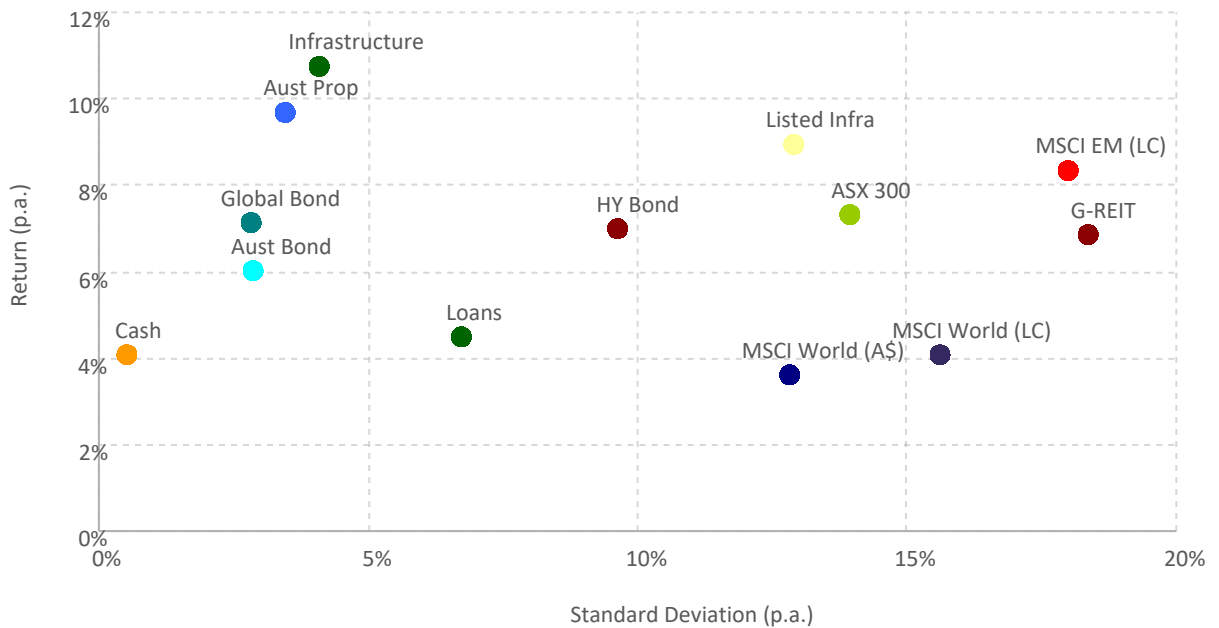
Asset Class Long-Term Returns

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



Source: Refinitiv Datastream

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



Source: Refinitiv Datastream

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