

**Market Wrap**

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APRIL 2017

Reflating away

* Share markets continued to benefit from the global synchronised recovery in growth and corporate earnings.
* Bond yields fell following some slowing in economic momentum as lead indicators consolidate.
* The US Federal Reserve raised interest rates by
* 25 basis points but remains cautious on the growth outlook.
* The US dollar gained slightly against major cross rates along with the yen while the Australian dollar fell as commodity prices declined.
* Emerging market shares and bonds continued to perform well as investment flows return to long- run average levels. The decline in energy and commodity prices has raised some questions regarding the durability of the reflation trade.
* In China, authorities remain committed to growth and supply side reform after the meeting of the National People’s Congress. Industrial activity and stronger construction should carry growth comfortably above the government’s target of 6.5% in the first half of 2017.
* Australian economic indicators are generally supportive of growth although employment remains soft given the sharp rise in the unemployment rate to 5.9% from 5.7% and wages remain tepid. The property market remains a standout and a concern for policy makers as capital city price growth reflects strong investor demand. Major asset class performance (%)

| Asset classes | 1 month | 12 months | 5 years (p.a.) |
| --- | --- | --- | --- |
| **Australian Shares** | 3.3 | 20.2 | 10.8 |
| **Global Shares (hedged)** | 1.0 | 18.8 | 13.8 |
| **Global Shares (unhedged)** | 1.8 | 15.6 | 16.4 |
| **Global Emerging Markets (unhedged)** | 3.3 | 18.2 | 7.2 |
| **Global Small Companies (unhedged)** | 1.5 | 18.9 | 17.9 |
| **Global Listed Property** | -1.9 | 2.7 | 11.4 |
| **Cash** | 0.2 | 1.9 | 2.7 |
| **Australian Fixed Income** | 0.4 | 2.1 | 5.1 |
| **International Fixed Income** | 0.0 | 2.2 | 5.8 |
| Source: JP Morgan & ANZ Wealth, 31 March 2017.  Indices: Australian Shares - S&P / ASX300 Accumulation, Global Shares (hedged/unhedged) - MSCI World ex Australia, Global Emerging Markets - MSCI Emerging Free Net in AUD (unhedged), Global Small Companies (unhedged) - MSCI World Small Cap ex Australia, Global Listed Property - FTSE EPRA/NAREIT Developed Rental Index ex Australia (hedged), Cash - Bloomberg Bank Bill, Australian Fixed Income - Bloomberg Composite Bond All Maturities, International Fixed Income - Barclays Global Aggregate Bond Index (hedged).  Please note: Past performance is not indicative of future performance. | | | |

Currency

| Exchange rates | At close on 28/2 | % change 1 month | % change 12 months |
| --- | --- | --- | --- |
| **AUD/USD** | 0.76 | -0.4 | 1.1 |
| **AUD/euro** | 0.72 | -1.1 | 8.0 |
| **AUD/yen** | 84.98 | -1.6 | 2.1 |
| **Trade weighted index** | 66.2 | -0.7 | 3.6 |
| Source: Bloomberg & ANZ Wealth, 31 March 2017.All foreign exchange rates are rounded to two decimal places.  Please note: Past performance is not indicative of future performance. | | | |

