Monthly Market Snapshot – April 2016

Asset Class	Asset Class	1 Mth (%)	3 Mths (%)	6 Mths (%)	1 Yr (% p.a.)	3 Yrs (% p.a.)	5 Yrs (% p.a.)	10 Yrs (% p.a.)
Aust Eq (lge)	S&P/ASX 200 (Accum)	3.4	6.4	2.6	-4.9	5.0	6.5	4.5
Aust Eq (sml)	S&P/ASX Sml Ords (Accum)	3.0	9.7	8.2	5.1	4.2	-1.0	0.5
Aust Industrials	S&P/ASX 200 Industrials (Accum)	1.6	3.0	2.5	-2.6	7.4	12.1	6.2
Aust Resources	S&P/ASX 200 Resources (Accum)	15.4	31.7	3.1	-16.7	-6.1	-10.7	-1.6
Global Eq (unh)	MSCI World (unh) Accum	2.4	-0.4	-7.7	-0.8	18.2	14.2	4.1
Global Eq (hdg)	MSCI World (hdg) Accum	0.9	4.7	-2.2	-3.5	10.4	10.6	6.1
Global EME (unh)	MSCI Emerging Markets (unh) Accum	1.4	5.4	-6.6	-15.1	5.7	2.5	2.3
AREITs	S&P/ASX 200 AREIT (Accum)	2.8	8.3	10.5	15.6	14.3	16.5	2.9
GREITs	EPRA NAREIT (ex Aust) hdg (Accum)	-1.0	6.3	1.5	1.7	6.5	10.5	5.7
Aust Fixed Income	BBerg AusBond Composite Index (0+yrs)	0.3	1.1	1.8	3.4	4.9	6.6	6.4
Global Fixed Income	Bar Cap Global Agg Index (AUD hdg)	0.3	2.3	4.1	5.2	5.8	7.6	7.8
Aust Cash	BBerg Aust Bond Bank Bill Index	0.2	0.6	1.1	2.3	2.6	3.2	4.4

Bond Mkts	3yr Yields (%)	Mthly Change (bps)	10yr Yields (%)	Mthly Change (bps)
Aust	1.86	-5	2.52	3
US	0.93	8	1.83	6
UK	0.71	11	1.60	18
Japan	-0.23	-1	-0.08	-5
Europe	-0.47	1	0.27	12

Cash Rates	End of month (%)	Mthly change (%)	Cash Rates	End of month (%)	Mthly change (%)
Aust	2.0	-	Sth Korea	1.50	-
US	0.50	-	Brazil	14.25	-
Europe	0.00	-	China (RRR)	17.00	-
Japan	0.00 – 0.10	-	India	6.50	-0.25
UK	0.50	-	Mexico	3.75	-

Commodities	Close	Mthly Change (%)	3 Month Change (%)
Gold US$/oz	1,292.99	4.9	15.6
Crude Oil (Brent) US$/bbl	47.37	16.2	23.4
Copper	5,064.00	3.8	10.8
Silver	17.84	15.6	25.1
Nickel	9,409.00	11.4	9.6
Iron Ore (Qingdao 62% fines)	66.24	23.2	58.7

Currencies	FX Rate End of month	Mthly Change (%)	3 Month Change (%)	Yearly Change (%)
AUD/USD	0.7603	-0.7	7.3	-3.2
AUD/GBP	0.5203	-2.4	4.6	0.4
AUD/EUR	0.6640	-1.3	1.5	-5.3
AUD/JPY	80.9690	-6.1	-5.7	-14.2
GBP/USD	1.4612	1.8	2.6	-3.5
EUR/USD	1.1451	0.6	5.7	2.3
USD/JPY	106.5000	-5.4	-12.1	-11.4
Aust TWI	63.80	-0.9	4.1	-1.4

EME Improving Investment Opportunity – Return on Equity

Source: Bloomberg

Market Commentary

- Higher risk assets continued their upward trajectory in April with equities rallying across most major markets. The ASX 200 (Accum) Index was up +3.4% m/m while global markets (developed & emerging) were also higher. The rally in the domestic market was driven by the Materials sector, which was up 14.2% m/m, while the Energy sector (+7.7% m/m) was also stronger. BHP lead the way with the stock up over 22% during the month. The major catalyst for the rally was the uplift in iron ore prices (+22.3% m/m) over the month.
- With improving commodity prices and a weaker USD, emerging markets have continued their relative outperformance to developed markets in recent periods. The potential for a further rally in EM remains, particularly if China maintains its (current) stimulatory approach.
- It now appears that some level of stability has returned to commodity markets, since the early part of the year. While the rally in commodity markets is pleasing and provides a support for the local equity market, we do not see the recent moves as the beginning of a new bull market in commodities, but a recalibration on the back of improving demand/supply fundamentals given the extent of declines through 2015.
- In fixed income markets bond yields were marginally higher over the month. While there was no central bank activity, the overall level of stimulus measures remains high, with negative interest rates (NIRs) now the norm across a number of regions. From a policy standpoint, the extent to which cash/interest rates can continue to move lower remains debateable reflective of the 'impact' of monetary policy as a tool to support growth. However, we feel NIRs will be the 'new' normal in financial markets for some time to come.
- After a strong recent rally on the back of higher commodity prices, the AUD gave up some of its gains and was weaker over the month against the major currencies, particularly the JPY. The strength in the JPY continues to defy the broader economic outlook for the country, with the rally in the JPY impacting the performance of the equity market, which remains one of the worst (major) regional market over the last 3 month period, down -4.9% (v's S&P 500 +6.5%). With reduced likelihood of a further rate rise in US cash rates near term, combined with the current lack of (further) policy action by the BoJ, there seems little preventing the JPY from continuing to strengthen. Such an outcome will continue to be a drag on the equity market in our view.
- Locally the RBA maintained cash rates steady (at 2.0%), but after the weaker than expected CPI data for 1Q16 (at -0.2% q/q, 1.3% y/y), which is below the RBA's 2.0% target level the potential for a further cut in official cash rates has increased. However, with the jobless rate moving lower over the 1Q16 (-0.3% to 5.7%) combined with the recent 4Q15 GDP figures (of 3.0%), any decision on cash rates will be 'line ball' in our view.

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