

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)	4.7	-2.8	3.6	-9.6	5.4	5.7	4.4
Aust Eq (sml)	S&P/ASX Sml Ords (Accum)	5.5	1.0	12.5	3.7	1.5	-2.1	0.3
Aust Industrials	S&P/ASX 200 Industrials (Accum)	4.5	-3.6	5.1	-6.8	9.2	11.9	6.2
Aust Resources	S&P/ASX 200 Resources (Accum)	6.5	3.6	-5.7	-24.8	-11.6	-13.6	-2.6
Global Eq (unh)	MSCI World (unh) Accum	-1.0	-5.8	-4.2	-3.9	18.7	13.3	3.5
Global Eq (hdg)	MSCI World (hdg) Accum	5.2	-1.8	4.7	-3.1	11.2	11.0	6.1
Global EME (unh)	MSCI Emerging Markets (unh) Accum	5.1	-0.1	-2.9	-12.6	5.7	1.7	2.2
AREITs	S&P/ASX 200 AREIT (Accum)	2.4	6.4	12.8	11.3	16.3	15.9	2.6
GREITs	EPRA NAREIT (ex Aust) hdg (Accum)	7.9	3.1	8.3	0.1	10.1	12.2	5.5
Aust Fixed Income	BBerg AusBond Composite Index (0+ysr)	-0.2	2.1	1.8	2.0	5.4	6.6	6.3
Global Fixed Income	Bar Cap Global Agg Index (AUD hdg)	0.9	3.7	4.3	4.5	6.1	7.8	7.8
Aust Cash	BBerg Aust Bond Bank Bill Index	0.2	0.6	1.1	2.2	2.6	3.2	4.4

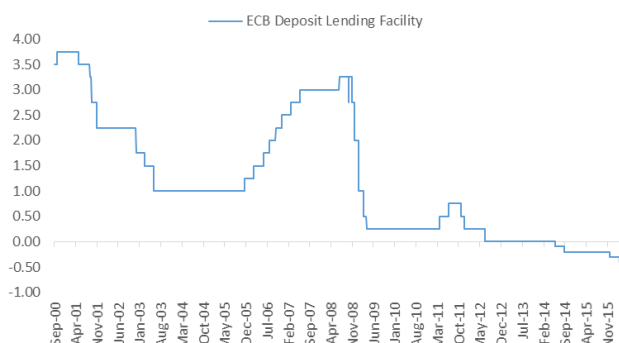
Bond Mkts	3yr Yields (%)	Mthly Change (bps)	10yr Yields (%)	Mthly Change (bps)
Aust	1.90	17	2.49	9
US	0.85	-4	1.77	3
UK	0.61	9	1.42	8
Japan	-0.21	3	-0.03	3
Europe	-0.48	6	0.15	5

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	-0.05	China (RRR)	17.00	-
Japan	0.00 – 0.10	-	India	6.75	-
UK	0.50	-	Mexico	3.25	-

Commodities	Close	Mthly Change (%)	3 Month Change (%)
Gold US\$/oz	1,232.71	-0.5	16.1
Crude Oil (Brent) US\$/bbl	40.33	8.3	0.2
Copper	4,880.50	3.7	3.7
Silver	15.44	3.6	11.4
Nickel	8,448.50	-0.5	-3.8
Iron Ore (Qingdao 62% fines)	53.75	8.3	23.4

Currencies	FX Rate End of month	Mthly Change (%)	3 Month Change (%)	Yearly Change (%)
AUD/USD	0.7657	7.2	4.9	0.8
AUD/GBP	0.5332	3.9	7.7	4.0
AUD/EUR	0.6729	2.5	0.0	-4.7
AUD/JPY	86.1950	7.1	-2.2	-5.3
GBP/USD	1.4360	3.2	-2.6	-3.1
EUR/USD	1.1380	4.7	4.8	5.7
USD/JPY	112.5700	-0.1	-6.6	-6.0
Aust TWI	64.40	4.9	2.7	1.9

ECB Deposit Facility - Down, Down, Down



Source: Bloomberg

Market Commentary

- After the challenges of January and February March provided some relief for equity investors with the local equity market up 4.7%. Global markets were mixed in AUD terms due to the sharp appreciation of the AUD m/m. The MSCI World (ex Aus unhdg) was down -1.0%, but up +5.2% (hdg). However, for bond investors March was a more challenging with global yields marginally higher.
- Across financial markets all eyes were on the ECB's mid-month announcement regarding the next phase of its QE program. And after the market's disappointment surrounding its Dec 2015 package, the ECB tried to silence its detractors through the introduction of four new measures as it tries to stimulate economic activity across the region while accelerating the rate of inflation back towards its 2.0% target.
- In its latest package the ECB announced the (1) reduction in the rate on its refi operations (by 0.05%) to 0.0% and the rate on its marginal lending facility to 0.25% (-0.05%). Additionally, the ECB reduced its deposit rate facility by a further -0.1% to -0.40%, (2) it increased QE by a further €20bn p/mth (to €80bn), (3) the bank also expanded on the range of securities that it could purchase to (non-financial) IG corporate bonds, and (4) it introduced a new series of (four) longer term refinancing operations (LTRO II) that will run from June 2016 through to 2021.
- All in all it was an aggressive announcement by the ECB (and in contrast to the BoJ). The question now remains as to whether it signifies that the ECB has become 'desperate' in its attempts to promote growth and quell deflationary concerns. While the package was generally viewed positively by financial markets, it did not spill over into bond markets with yields rising over the month.
- However, comments made by the ECB around the lack of desire to cut the deposit rate further to reduce the negative impact on bank earnings (of negative interest rates) coupled with the view that low rates will be in play for a for the next 5 years highlight some structural challenges ahead for the region.
- For the US Fed, the package by the ECB makes it more challenging to increase official cash rates as investors seek 'positive' yield markets. As anticipated the Fed made no move on rates, maintaining its dovish outlook. Investor demand may drive US Treasuries lower irrespective of Fed policy. In Australia, the interest rate differential and solid jobs number (UR @ 5.8%) continued to support the AUD (+7.2% m/m). While the stronger AUD has not yet impacted on corporate earnings we do see this as a potential drag on the domestic growth outlook. So the 1Q16 ends with central bank activity continuing to lead the direction of global financial markets.

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