

Bouncing higher

- Global share markets rose strongly during July as political risks and fears of a hard landing in China subsided.
- US growth in the second quarter lifted and we suspect a similar outcome in Q3 given stronger lead indicators in the manufacturing sector.
- Bond yields were little changed in the month as inflation pressures remain soft although credit spreads have benefited from higher commodity prices. Australian and global fixed income returns were up as a result.
- The US dollar (USD) continued to soften against most other major currencies. The AUD rose by 4.1% on the back of higher commodity prices and the dovish outlook from the RBA. The euro broke out of its trading range and is up by 10.4% against the USD in the past 12 months.
- Emerging market shares and bonds rose in the month following stronger Chinese growth and infrastructure investment as the 'One Belt, One Road' initiative picks up. A softer USD has also encouraged strong investment inflows.
- Australian economic indicators were mixed but stronger labour market data and business confidence suggested a degree of resilience in underlying growth. While Q2 inflation was slightly soft we anticipate the impact of higher utility costs will be met with a higher Q3 print.

Major asset class performance (%)

Asset classes	1 month	12 months	5 years (p.a.)
Australian Shares	0.0	7.0	10.7
Global Shares (hedged)	1.5	17.5	15.4
Global Shares (unhedged)	-1.7	10.6	18.2
Global Emerging Markets (unhedged)	1.8	18.9	10.7
Global Small Companies (unhedged)	-1.8	11.8	20.3
Global Listed Property	0.9	-3.7	10.7
Cash	0.2	1.8	2.5
Australian Fixed Income	0.3	-0.2	4.3
International Fixed Income	0.4	0.1	5.3

Source: JP Morgan & ANZ Wealth, 31 July 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 31/7	% change 1 month	% change 12 months
AUD/USD	0.80	4.1	5.0
AUD/euro	0.67	0.7	-0.4
AUD/yen	88.2	2.4	13.2
Trade weighted index	67.3	3.0	6.3

Source: Bloomberg & ANZ Wealth, 31 July 2017. All foreign exchange rates are rounded to two decimal places where appropriate.

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