

Market wrap

March 2018



Market corrects

- Share markets continued late-January's correction in February before a partial bounce-back saw global shares recover some ground, ending the month down 3.7% in hedged terms.
- New US Federal Reserve Chair Jerome Powell's debut testimony flagged the Fed may raise rates 4 rather than 3 times this year. This, along with prospects of a larger US fiscal deficit sent US Treasury yields and the US dollar higher.
- The world economy finished 2017 on a strong note highlighted by the latest macro data: 4Q eurozone GDP growth rose to 2.7% with PMI remaining at an elevated level. In the US, GDP was steady for 4Q and in Japan, growth eased but remained positive.
- While inflation is low, investors have become sensitive to the likelihood that inflation will track higher this year as economies reach full capacity. The fear is that this will lead to central banks to more rapidly tighten current easy monetary policy.
- The February earnings reporting season saw moderate earnings upgrades by large Australian corporates. Of the 118 companies on Australia's benchmark index that reported a surprise this season, about 58% were positive, led by industrials and financials¹.

¹ Bloomberg

Major asset class performance (%)

Asset classes	1 month	12 months	5 years (p.a.)
Australian Shares	0.3	10.3	8.0
Global Shares (hedged)	-3.7	14.7	13.8
Global Shares (unhedged)	-0.4	16.0	17.2
Global Emerging Markets (unhedged)	-0.9	28.8	10.9
Global Small Companies (unhedged)	-0.3	15.0	18.2
Global Listed Property	-6.4	-5.5	7.1
Cash	0.1	1.8	2.3
Australian Fixed Income	0.3	2.9	4.1
International Fixed Income	-0.2	2.1	4.6

Source: JP Morgan & ANZ Wealth, 28 February 2018.
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 28/02	% change 1 month	% change 12 months
AUD/USD	0.77	-3.6	1.4
AUD/euro	0.64	-1.9	-12.1
AUD/yen	82.8	-5.9	-4.1
Trade weighted index	63.3	-3.1	-4.7

Source: Bloomberg & ANZ Wealth, 28 February 2018. All foreign exchange rates are rounded to two decimal places where appropriate.
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