

Market wrap

May 2019



Markets continue to recover...

- The rally from December lows has flowed into April with most markets positive.
- **Global shares** were up 4.6% and 3.9% in a hedged and unhedged terms, respectively.
- Domestically, **Australian shares** continue to lag international this year with 2.4% performance during April.
- Weaker commodity prices outside of oil and iron ore and, weather disruption to business operations for major producers weighed on **Australian mining shares**.
- The **Australian dollar (AUD)** fell against major currencies as the weaker inflation result increased calls for interest rate cuts.
- Fixed income and bond substitutes such as **listed property** lagged in the latest month after a strong year.
- **International fixed income** was flat after a US growth surprise and US interest rates staying on hold (if rates fall, bonds are more attractive than cash because their rates are fixed, increasing their value).

With mixed economic news...

Globally

- The US economy surprised forecasts for March growth as did Europe.
- Some of the US surprise is seen as temporary with the base case for growth to slow this year.
- The US Federal Reserve left interest rates on hold disappointing bond investors (by letting cash stay more competitive with rates at 2.5%).

Locally

- The Reserve Bank of Australia (RBA) outlined the case for a rate cut unless further jobs growth sees unemployment fall.
- It backed this view up with weaker economic forecasts for 2019.
- Inflation disappointed domestically with only 1.3% growth in the year to March (The RBA targets 2-3% inflation)
- The labour market continues to perform well with jobs growth surprising and the unemployment rate at 5% as of March.
- However, some forward indicators point to potential for some job losses in line with a slowing economy.
- The weaker housing market continued with national prices falling 0.5% in April and also showing up as a drag on inflation.

Major asset class performance

Asset classes	1 month %	1 year %	5 years (p.a.) %
Australian shares	2.4	10.4	7.5
Global shares (hedged)	4.6	14.3	13.6
Global shares (unhedged)	3.9	8.4	10.3
Global small companies (unhedged)	3.8	7.7	13.0
Global emerging markets (unhedged)	3.0	1.8	9.9
Global listed property (hedged)	1.1	15.5	8.6
Cash	0.2	2.0	2.1
Australian fixed income	0.3	7.9	4.9
International fixed income	0.0	5.0	4.7

Source: Bloomberg & IOOF, 30 April 2019

Indices used: Australian Shares: S&P/ASX 200 Accumulation Index, Global shares (hedged): MSCI World ex Australia Net Total Return (in AUD), Global shares (unhedged): MSCI World ex Australia Hedged AUD Net Total Return Index; Global small companies (unhedged): MSCI World Small Cap Net Total Return USD Index (in AUD); Global emerging markets (unhedged): MSCI Emerging Markets EM Net Total Return AUD Index; Global listed property (hedged): FTSE EPRA/NAREIT Developed Index Hedged in AUD Net Total Return; Cash: Bloomberg AusBond Bank Bill Index; Australian fixed income: Bloomberg AusBond Composite 0+ Yr Index; International fixed income: Bloomberg Barclays Global Aggregate Total Return Index Value Hedged AUD

Please note: Past performance is not indicative of future performance

Currency markets

Exchange rates	At close on 30/4 %	1 month change %	1 year change %
USD/AUD	0.70	-0.7	-6.4
Euro/AUD	0.63	-0.6	0.8
Yen/AUD	78.6	-0.1	-4.6
Trade weighted index	60.5	0.0	-2.6

Source: Bloomberg & IOOF, 30 April 2019. All foreign exchange rates are rounded to two decimal places where appropriate.

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