



A relief rally for (most) markets

- **Global shares** rose 10% and 3.6% in hedged and unhedged terms, respectively.
- **Emerging markets** were relative underperformers (up 2%) as their currencies remained under pressure during the month with the Australian dollar appreciating against the Chinese Yuan, Brazilian Real and others. Factors such as sizeable coronavirus outbreaks in emerging markets (excluding China) played a contributory role.
- **Australian shares** outperformed unhedged global shares, rising 8.8% in March. Strength in consumer-exposed sectors such as Consumer Discretionary (+16%) or Property (+14.3%) played a part as the coronavirus outbreak in Australia has been increasingly contained with less than 900 active cases remaining.
- The **Australian dollar (AUD)** rose against major currencies by 5.7%. Partly this reflected the divergent coronavirus outcomes with Australia more successful than other countries in containing its outbreak raising expectations of getting “back to normal” sooner.
- **Fixed income** assets were mixed with Australian fixed income flat while international fixed income rose 1.5%. Australian bonds were hurt by slightly higher bond yields while international bonds gained on stronger risk-seeking seeing corporate bond prices bid higher.

Major asset class performance

Asset classes	1 month %	1 year %	5 years (p.a.) %
Australian shares	8.8	-9.1	3.5
Global shares (hedged to AUD)	10.0	-5.8	5.6
Global shares (unhedged)	3.6	3.5	9.0
Global small companies (unhedged)	6.1	-7.7	6.4
Global emerging markets (unhedged)	2.0	-5.4	3.7
Global listed property (hedged to AUD)	6.1	-19.0	0.2
Cash	0.0	1.1	1.8
Australian fixed income	-0.1	6.4	4.5
International fixed income	1.5	7.2	4.3

Source: Bloomberg & IOOF, 30 April 2020
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

As economic data remains negative

Globally

- Global business surveys point towards continued weakness in the near term with the JP Morgan Global Manufacturing PMI remaining in contractionary territory (pointing to weaker economic growth).
- Coronavirus case growth has slowed in developed economies but remains a struggle for emerging markets such as Russia or Brazil.
- Stimulus continues with central bank bond programs seeing the Federal Reserve balance sheet expand to ~30% of US GDP. This buying activity helped stabilise credit markets with client transaction costs falling over the month.

Locally

- The RBA began reducing its own bond purchases from a sizeable \$4-5 billion per day to \$750m by late April as its efforts to stabilise local bond yields were successful.
- Inflation surprised at 2.2% year-on-year for the March quarter driven by food price inflation from the drought.
- Increased expectations of weak economic performance in 2020 with consensus forecasts and the IMF predicting recession in 2020 and recovery in 2021.

Currency markets

Exchange rates	At close on 30/4	1 month change %	1 year change %
USD/AUD	0.65	6.2	-7.6
Euro/AUD	0.59	6.9	-5.4
Yen/AUD	69.8	5.8	-11.2
Trade weighted index	57.8	5.7	-4.5

Source: Bloomberg & IOOF, 30 April 2020. All foreign exchange rates are rounded to two decimal places where appropriate.
Please note: Past performance is not indicative of future performance.