

Market wrap



JULY 2017

Fed raises rates though markets pause

- Global share markets paused in the month following rising volatility on the back of lower oil prices.
- The Fed raised interest rates by another 25bps following better economic conditions although the market remains somewhat sceptical of the Fed's positive outlook for inflation given softer data in recent months.
- Bond yields rose sharply towards the end of the month due to the change in central bank rhetoric in preference for higher policy rates. Australian and global fixed income returns were down as a result.
- Credit markets have performed well although the energy sector has been negatively impacted due to lower spot prices and higher debt costs.
- The US dollar (USD) continued to soften against most other major currencies. The AUD rose by 3.5% as investors start to build a long position.
- Emerging market shares and bonds rose in the month following stronger Chinese activity data and trade flows. MSCI's decision to include domestic Chinese shares into the emerging markets index also helped boost returns.
- Australian economic indicators remain mixed but stronger labour market data and business confidence suggest a degree of resilience in underlying growth.

Major asset class performance (%)

Asset classes	1 month	12 months	5 years (p.a.)
Australian Shares	0.2	13.8	11.6
Global Shares (hedged)	0.1	20.5	15.4
Global Shares (unhedged)	-2.6	14.7	18.2
Global Emerging Markets (unhedged)	-2.0	20.1	10.2
Global Small Companies (unhedged)	-1.5	17.5	20.0
Global Listed Property	0.9	-0.1	11.1
Cash	0.1	1.8	2.5
Australian Fixed Income	-0.9	0.3	4.3
International Fixed Income	-0.2	0.5	5.5

Source: JP Morgan & ANZ Wealth, 30 June 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 30/6	% change 1 month	% change 12 months
AUD/USD	0.77	3.0	3.0
AUD/euro	0.67	1.6	0.3
AUD/yen	86.18	4.7	12.8
Trade weighted index	65.5	2.6	3.4

Source: Bloomberg & ANZ Wealth, 30 June 2017. All foreign exchange rates are rounded to two decimal places where appropriate.

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