

Market Watch

ANZ Wealth Chief Investment Office
February 2019

A mixed bag

- After January's bounce, February was a little quieter but still ended in positive territory, with global shares up by 3.4% and 5.6% in hedged and unhedged terms respectively.
- US shares similarly were up 3%, a more modest rise than January's 7.9% rally, which was driven by a better-than-expected US reporting season.
- The full effects of the long US government shutdown are yet to be seen, but US GDP growth slowed significantly in the December 2018 quarter, to 2.6% following 3.4% growth in the September quarter.
- Australian shares performed well – twice as well as US shares, in fact - up 6% for the month.
- The RBA is currently forecasting growth of around 3% for the Australian economy in 2019, supported by increased business investment and public infrastructure spending.
- In the eurozone, hopes for avoiding widespread recession seem to be pinned on a strong Asian recovery, while the Brexit issue continues to cloud the UK economy.
- China-US trade relations have thawed somewhat, with Trump announcing that tariff increases on Chinese goods would be delayed, raising hopes that a trade agreement will be reached soon.
- The Australian dollar slipped slightly against all the major currencies, down to US71c and €0.62 at the end of the month.

Major asset class performance (%)

Asset classes	1 month	12 months	5 years (p.a.)
Australian shares	6.0	6.8	7.3
Global shares (hedged)	3.4	2.4	9.4
Global shares (unhedged)	5.6	10.1	11.7
Global emerging markets (unhedged)	2.7	-1.3	9.0
Global small companies (unhedged)	6.3	8.8	11.1
Global listed property	0.2	15.9	8.6
Cash	0.2	2.0	2.1
Australian fixed income	0.9	6.2	4.7
International fixed income	0.1	3.7	4.5

Source: JP Morgan & ANZ Wealth, 28 February 2019.

Indices: Australian shares: S&P/ASX 300 Accumulation | Global shares (hedged/unhedged): MSCI World ex Australia Net | Global emerging markets: MSCI Emerging Markets Net in AUD (unhedged) | Global small companies (unhedged): MSCI World ex Aust Small Cap | Global listed property: FTSE EPRA/NAREIT Developed Rental Index ex Australia (hedged) | Cash: Bloomberg Bank Bill | Australian fixed income: Bloomberg AusBond Composite 0+ Yr Index | 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 28/2	% change 1 month	% change 12 months
AUD/USD	0.71	-2.5	-8.6
AUD/euro	0.62	-1.8	-2.0
AUD/yen	79.0	-0.2	-4.6
Trade weighted index	60.5	-1.5	-4.6

Source: Bloomberg & ANZ Wealth, 28 February 2019. All foreign exchange rates are rounded to two decimal places where appropriate.

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