venture
FINANCIAL ADVISERS

Market Update

venturebendigo.com.au

April 2016

April 2016

- Equity and commodity markets continued to recover off their mid-February lows helped by reasonable economic data, supportive central banks and improved sentiment:
- Oil prices continued to move higher, up another 13% in March
- China economic data was, on balance, a little better
- US economic data continued to improve
- The European Central Bank surprised investors with the size of the additional stimulus measures that it announced in early March to try to combat disinflation
- Australian business conditions outside the mining sector continue to improve
- RBA retains cash rate at 2.0%

March market performance

Equity Markets – Price Indices	Index	At Close 31/03/2016	% Change 1 Month	% Change 12 Months
Australia	All Ordinaries	5151.79	4.1%	-12.1%
Japan	Nikkei	16758.67	4.6%	-12.7%
Hong Kong	Hang Seng	20776.70	8.7%	-16.6%
UK	FTSE 100	6174.90	1.3%	-8.8%
Germany	DAX	9965.51	5.0%	-16.7%
US	Dow Jones	17685.09	7.1%	-0.5%
EMU*	Euro 100	1016.04	2.4%	-17.0%
World**	MSCI – Ex Aus (Gross) (Hedged)	1259.46	5.0%	-6.2%

Property – Price Index	Index	At Close 31/03/2016	% Change 1 Month	% Change 12 Months
Listed Trusts	S&P/ASX 300 A-REITS	1338.48	2.4%	6.0%

Interest Rates	At Close 31/03/2016	At Close 29/02/2016	At Close 31/03/2015
Aust 90 day Bank Bills	2.29%	2.28%	2.21%
Australian 10 year Bonds	2.49%	2.40%	2.32%
US 90 day T Bill	0.21%	0.32%	0.03%
US 10 year Bonds	1.77%	1.74%	1.92%

Currency***		At Close 31/03/2016	% Change 1 Month	% Change 12 Months
US dollar	A$/US$	0.77	7.70%	0.69%
British pound	A$/STG	0.54	4.43%	4.00%
Euro	A$/euro	0.68	2.69%	-5.10%
Japanese yen	A$/yen	86.46	7.24%	-5.63%
Trade-weighted Index		64.40	4.89%	1.74%

* Top 100 European stocks trading on the FTSE
** Price Index (Source: msci.com)
*** All foreign exchange rates rounded to two decimal places (Source: FactSet)
Past performance is not a reliable indicator of future performance.

Global economies

Global equity markets continued to rise off their mid-February lows helped by a recovery in commodity prices, particularly oil, further monetary policy stimulus from the European Central Bank and commentary from the US Federal Reserve that downplayed the likelihood of further US interest rate rises in 2016.

Also helping equity markets was slightly better than expected economic data in the United States and, to a lesser extent, in China.

As widely expected, the RBA kept the cash rate at 2.0% but acknowledged that the rise in the Australian Dollar recently could complicate the adjustment in the economy from mining to non-mining led growth.

US

In the United States, soft Gross Domestic Product (GDP) and Institute for Supply Management (ISM) manufacturing readings in late 2015, which had spooked investors in early 2016, have pleasantly surprised in recent months. GDP growth in the fourth quarter was again revised higher, from an initial reading of 0.7% annualised, to 1.4% annualised.

Meanwhile, the ISM manufacturing survey also began to expand again, rising to 51.8 in March from 49.5 in February. Despite the stronger data and higher inflation, the Federal Reserve appears to have been spooked by developments in China and the oil market - the Fed recently acknowledging interest rate rises may be slower than they anticipated in December, when they first lifted interest rates.

Europe

In Europe, as expected, the European Central Bank (ECB) introduced additional measures to combat deflation with the main surprise being the larger asset purchase program, up from 60 billion Euro to 80 billion Euro per month. The ECB also cut its deposit rate from -0.3% to -0.4% per annum and cut its lending or refinance rate from 0.05% to zero.

It also expanded monthly asset purchases to 80 billion Euro (from 60 billion Euro) and widened the types of assets that it can acquire to now include high quality corporate bonds.

In addition the ECB announced four new four-year targeted long term refinancing operations with the interest rate to be between 0% and -0.4% if banks meet certain lending targets - so banks will be paid to borrow money from the ECB if they boost lending to businesses and households, particularly in the peripheral Eurozone countries.

China

In China, February data on the export side of the economy was weak with annual industrial production growth of 5.4% the weakest since November 2008 - but part of the slowdown was due to a large decline in tobacco production. Additionally exports contracted by 25.4% in February compared with February last year.

However, more recently, the March official manufacturing Purchasing Managers Index (PMI) recovered from 49.0 in February to 50.2 in March, which was the best reading since June 2015. And the March non-manufacturing PMI rose by a similar amount to 53.8, the best reading since December, suggesting that government stimulus measures may be starting to work.

Asia region

In Japan the second reading on fourth quarter 2015 GDP saw the economy's estimated performance revised to -1.1% annualised from -1.4% previously, thanks to a stronger than previously estimated uplift in business spending and, less positively, higher inventories.

Meanwhile the unemployment rate rose more than expected, from 3.2% in January to 3.3% in February, while real household spending rose a more-than-expected 1.7% in February to be 1.2% higher than a year earlier.

Australia

Back home, the Reserve Bank of Australia (RBA) retained the cash rate at 2% at its April meeting. The RBA continues to monitor whether recent improvements in the labour market are continuing.

The RBA also indicated the rise in the Australian Dollar recently could complicate the adjustment in the economy from mining to non-mining led growth, suggesting that if the currency remains high, the RBA may need to cut interest rates further to stimulate economic growth.

In Australia employment growth was a little disappointing in February with just 300 new jobs created. However, over the past year employment has grown by 2.1%, which is well ahead of current rates of population growth and this is why the unemployment rate has fallen to 5.8% in February.

Other activity indicators have also been reasonably good: for example the NAB survey of business conditions rose in February from +5 to +8, which is the best reading since November and a little above the long-term trend.

venture
FINANCIAL ADVISERS

Market Update

venturebendigo.com.au

April 2016

EQUITY MARKETS

- The China Shanghai Composite Index was up 11.8% in March
- Brazil's Bovespa Index rose 17%
- The German DAX Index was up 5%
- The broader Euro 100 was 2.4% higher
- The Japanese Nikkei Index was up 4.6%
- The US Standard & Poor's 500 Index returned 6.6% in March
- Australian S&P/ASX All Ordinaries Index rose 4.1% for the month

Australian equities

	Index/Benchmark (% pa)	1 Year	3 Years	5 Years	7 Years
Australian	S&P/ASX 300 Acc.	-9.27%	5.29%	5.45%	9.77%
	S&P/ASX 50 Acc.	-12.05%	4.75%	5.93%	9.73%
	S&P/ASX Small Ordinaries Acc.	3.72%	1.50%	-2.08%	7.09%

The S&P/ASX 200 Accumulation Index returned 4.7% in March. Cyclical sectors generally outperformed defensive sectors: materials and financials were the best performing sectors while healthcare was the worst performing sector. Small caps outperformed with a total return of 5.5% including dividends.

Sector	1 Month	3 Months	1 Year
Energy	6.2%	-0.5%	-25.2%
Materials	6.0%	5.2%	-17.2%
Industrial	2.3%	5.3%	12.8%
Consumer Discretionary	5.1%	0.7%	5.0%
Consumer Staples	3.0%	-2.2%	-5.1%
Health Care	0.4%	-1.6%	1.9%
Financials (ex Property)	6.7%	-9.7%	-17.1%
Info Tech	5.6%	-5.0%	-2.9%
Telcos	4.7%	-0.3%	-6.9%
Utilities	1.3%	3.3%	11.5%
Property	2.5%	6.4%	11.4%

BIG MOVERS THIS MONTH

Going up

⥣	Financials (ex Property)	6.7%
⥣	Energy	6.2%
⥣	Materials	6.0%

Global Equities

	Index/Benchmark (% pa)	1 Year	3 Years	5 Years	7 Years
Global	MSCI World Ex Aus (Gross) in AUD	-3.34%	19.35%	13.93%	12.18%
	MSCI World Ex Aus (Gross) in Local	-3.80%	9.61%	9.12%	13.98%
Emerging	MSCI World Small Cap ($A)	-4.14%	18.97%	13.36%	15.45%
	MSCI Emerging Mkts Free	-7.36%	2.28%	1.68%	10.06%

Global developed market equities returned 5.3% in March in local currency terms helped by reasonable economic data and improved sentiment following the European Central Bank's stimulus actions in early March and US Federal Reserve commentary around a slower pace of interest rate rises.

Emerging markets shares continued their rise in March with a gain of over 8% led by strong gains in Brazil, China and India. Price-to-earnings ratio valuations in developed markets have returned to the 15-17 times range with Europe and Japanese shares at lower multiples than the US market.

Property

	Index/Benchmark (% pa)	1 Year	3 Years	5 Years	7 Years
Australian	S&P/ASX 300 A-REIT Acc	11.40%	16.26%	15.83%	17.55%
Global	FTSE EPRA/NAREIT Dv ex AUS TR Hdg AUD	0.95%	10.38%	12.45%	21.33%

The S&P/ASX 300 A-REIT Accumulation Index was up 2.5% in March and 11.4% over the 12 months to 31 March 2016. The S&P/ASX 300 A-REIT Index was up 2.45% in March and up 6% over the one-year period ended 31 March 2016.

Over one, three and five years, the A-REITs outperformed Global REITs, while Global REITs outperformed A-REITs over the seven-year period. Global property, as represented by the FTSE EPRA/NAREIT Index, was up 1% over a one-year period.

Fixed Interest

	Index/Benchmark (% pa)	1 Year	3 Years	5 Years	7 Years
Australian	Bloomberg AusBond Composite 0+ Yr	1.97%	5.39%	6.63%	6.09%
	Australian 90 Day Bank Bill	2.22%	2.51%	3.13%	3.45%
Global	BarCap Global Aggregate Index	3.85%	11.63%	8.02%	2.23%
	BarCap Global Agg. Index Hedged	4.51%	6.11%	7.75%	8.05%

Australian bonds lost 0.21% in March as investors switched from bonds to equities. The 10-year bond yield rose from 2.39% to 2.50% and the three-year bond yield rose from 1.74% to 1.91% as it became evident that the bond market was overestimating the prospects of another global recession.

Global government long bond yields generally finished the month marginally higher, as yields rose during the first half of the month but then then fell in the second half of the month following commentary from the US Fed. The Barclays Global Aggregate Bond Index (A$ hedged) returned 0.92% helped by gains from the tightening of investment-grade credit spreads.

Australian dollar

The US Dollar weakened against most currencies in March as the Fed adopted a more cautious tone about the pace of interest rate rises in 2016. The Euro, British Pound, Yen and Australian Dollar all rose against the US Dollar with the Australian Dollar also boosted by the recovery in commodity prices and stronger risk sentiment.

Against the US Dollar, the Australian Dollar rose nearly 8% for the month to just shy of US$0.77 at month end. On a Trade-Weighted Index basis the Australian Dollar was 4.9% stronger.