

Monthly Market Update – October 2017

Australian Equities	<p>The Australian market followed the world higher in October, after a disappointing run of negative and flat returns. The ASX 200 Accumulation Index returned 4.01%, led by the Information Technology (+8.75%) and Energy (+6.50%) sectors.</p> <p>Telecommunications (+2.38%) was the weakest performing sector, with gains from Vocus (+20.50%) and TPG (+11.53%) offset by Telstra's average performance (+1.43%). Australia's small cap shares had a good month, with the S&P/ASX Small Ordinaries Accumulation Index posting a 6.02% return, outperforming its larger peers but still underperforming on a 12-month basis.</p>
International Equities	<p>In the US, the S&P 500 gained 4.72% in AUD terms as positive data, including an above-expectations GDP reading, pushed markets higher. On the one year anniversary of President Trump's election victory, the market is still rallying and volatility is lower than ever. The VIX, or so-called 'fear gauge', posted its lowest average monthly level in October (in a dataset stretching back to 1986).</p> <p>Globally, the MSCI World TR Index gained 4.29% in AUD terms, supported by US and Asian shares. Japan's Nikkei gained 9.63% as the index reached its highest point since 1996, while China's Shenzhen CSI 300 Index was up 6.98%. The Euro Stoxx 600 Index rose 2.83%, supported by Resources (+6.15%) and IT (+6.07%) sectors.</p>
Listed Property (REITs) & Infrastructure	<p>The S&P/ASX 300 A-REIT Accumulation Index returned 2.25% in October, led by residential property manager Charter Hall (+8.01), which hit an all-time high of \$5.80. Commercial specialist Propertylink Group (+7.53%) added to September's gains, helped along by buying from investment bank Citi, which has been buying shares for a mystery international investor. More pain was felt for retail-focused REITs Westfield (-0.89%) and Vicinity Centres (-0.38%), both of which have lost a third of their value since July 2016.</p>
Fixed Interest	<p>Yield movements were mixed in October, with US sovereign yields slightly higher but most developed markets easing. So far bond markets have been mostly steady as the Fed begins its balance sheet 'normalisation', helped perhaps by the appointment of Jerome Powell to head the Fed. The US 10-year Treasury yield rose from 2.33% to 2.38%, peaking at 2.46% to hit a seven-month high.</p> <p>The Ausbond Composite Index returned 1.09%, with government bonds returning 1.17% and corporate debt up 0.98%. The Australian 10-year Treasury yield rose from 2.84% to end the month at a low of 2.67%, further down on its March peak of 3.05%.</p>

Source: Lonsec

Performance Summary	1m	3m	6m	1y	3 yr p.a.	5 yr p.a.
Australian Equities						
S&P ASX 200 Acc Index	4.01%	4.73%	2.01%	16.13%	6.94%	10.30%
S&P ASX Small Ordinaries Acc Index	6.02%	10.32%	10.58%	14.58%	10.48%	6.05%
Global Equities						
MSCI World (ex-Australia) Index – Unhedged	4.28%	8.74%	6.97%	22.00%	13.37%	18.78%
MSCI World (ex-Australia) Index – Hedged	2.65%	5.46%	9.07%	23.46%	11.16%	15.64%
MSCI Emerging Markets Index	5.92%	9.74%	13.27%	25.49%	10.62%	11.36%
Listed Property & Infrastructure						
S&P ASX 300 A-REIT Acc Index	2.25%	4.39%	-1.47%	8.59%	10.95%	12.54%
FTSE Core Infrastructure Index – Hedged	2.36%	2.81%	6.20%	15.49%	9.01%	13.53%
Fixed Interest & Cash						
Bloomberg AusBond Composite Index 0+ Yr	1.09%	0.77%	1.28%	1.64%	3.94%	4.12%
Bloomberg AusBond Bank Bill Index	0.15%	0.43%	0.87%	1.76%	2.11%	2.40%
Commodities						
S&P Goldman Sachs Commodities Index – USD	3.97%	6.98%	8.46%	14.80%	-8.37%	-8.23%
Gold Spot Price (USD)	-0.65%	0.16%	0.25%	-0.45%	2.72%	-5.87%
Oil Spot Price (USD)	5.24%	8.39%	10.24%	16.05%	-12.27%	-8.81%

Source: Lonsec

Key Statistics	Current	Jun 18 Forecast
AUD/USD	0.77	0.74
GDP Growth (Year on Year) %	3.1%	3.1%
Unemployment Rate	5.5%	5.8%
Inflation	1.8%	1.9%
RBA Cash Rate	1.5%	1.5%
US Fed Funds Rate	1.125%	1.625%

Source: Westpac/Lonsec