

Market Watch

ANZ Wealth Chief Investment Office

December 2017

Positive end to 2017

- Most share markets ended 2017 positively, with global shares in hedged terms returning 1.1% in December, topping off a strong year (20.0%).
- A strong earnings season and the passing of the long anticipated tax reform legislation boosted US shares in December. The S&P 500 delivered positive returns for each month of 2017 without much volatility.
- It was also a good year for European markets, though the German and French share markets took a breather in December after political uncertainty and some easing in earnings expectations upstaged positive momentum.
- Emerging market shares were the star performers in 2017 as a weak US dollar coupled with strong global growth boosted earnings.
- Key central banks were encouraged by the health of economic growth. The European Central Bank announced it would start to reduce its monthly quantitative easing purchases from January while the US Federal Reserve raised rates again in December, in line with market expectations and has announced a gradual reduction in the size of its balance sheet.
- Oil prices continued to rebound in December, crossing the US\$60 a barrel mark and ended the month at the highest level since 2014.
- Locally, Australian underemployment fell again in Q4 and at 8.3% is now well down from the Q1 2017 peak of 8.9%.

Major asset class performance (%)

Asset classes	1 month	12 months	5 years (p.a.)
Australian Shares	1.9	11.9	10.2
Global Shares (hedged)	1.1	20.0	15.4
Global Shares (unhedged)	-1.7	13.4	18.4
Global Emerging Markets (unhedged)	0.5	27.1	10.4
Global Small Companies (unhedged)	-1.6	13.4	20.1
Global Listed Property	1.0	6.3	10.2
Cash	0.1	1.8	2.3
Australian Fixed Income	-0.5	3.7	4.2
International Fixed Income	0.2	3.7	4.9

Source: JP Morgan & ANZ Wealth, 31 December 2017.

Indices: Australian Shares - S&P / ASX 300 Accumulation, Global Shares (hedged/unhedged) - MSCI World ex Australia Net, 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 31/12	% change 1 month	% change 12 months
AUD/USD	0.78	3.2	8.3
AUD/euro	0.65	2.4	-4.9
AUD/yen	88.0	3.4	4.5
Trade weighted index	64.9	2.0	1.6

Source: Bloomberg & ANZ Wealth, 31 December 2017. All foreign exchange rates are rounded to two decimal places where appropriate.

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