

Market Highlights – January 2017

Ending on a high

- The US Federal Reserve raised interest rates by 0.25% as global economic conditions continued to improve. This was widely anticipated by the market.
- Share markets performed strongly due to prospects of stronger earnings and rising confidence and ended the year on a high.
- Bonds sell-off continued but credit rallied as spreads were bid down by investors on expectations of higher growth and inflation.
- The US dollar (USD) continued to strengthen and the Australian dollar (AUD) fell. This helped to enhance unhedged returns from global shares.
- Emerging market shares and bonds regained some ground from November's decline as commodity prices rose. However, higher US interest rates and a stronger USD remain headwinds.
- In China growth indicators remained stable but interest rates tightened as the authorities cracked down on shadow bank financing. Capital outflows remain a concern.
- Australian economic indicators were somewhat soft as consumer confidence fell on the back of a slowdown in housing activity. Rising commodity prices helped to strengthen the terms of trade.

Major asset class performance (%)

Asset classes	1 month	12 months	5 years (p.a.)
Australian Shares	4.3	11.8	11.6
Global Shares (hedged)	2.9	10.3	15.2
Global Shares (unhedged)	4.5	7.9	18.6
Global Emerging Markets (unhedged)	2.3	11.7	8.6
Global Small Companies (unhedged)	4.5	13.2	20.7
Global Listed Property	4.3	6.7	13.8
Cash	0.2	2.1	2.8
Australian Fixed Income	-0.2	2.9	5.0
International Fixed Income	0.4	5.2	6.1

Source: JP Morgan & ANZ Wealth, 31 December 2016. 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

	At close on 31/12	% change 1 month	% change 12 months
AUD/USD	0.72	-2.4	2.2
AUD/euro	0.68	-1.9	1.9
AUD/yen	84.22	-0.4	-5.0
Trade weighted index	63.9	-2.1	2.7

Source: Bloomberg & ANZ Wealth, 31 December 2016. All foreign exchange rates are rounded to two decimal places.
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