


Quarterly Market Commentary as at 31 March 2020*

Market Indices	Returns as at 31 March 2020					
	3 mth (%)	6 mth (%)	1 yr (%)	3 yr (% p.a.)	5 yr (% p.a.)	10 yr (% p.a.)
Australian Shares						
S&P/ASX 200 Accumulation Index	-23.1	-22.6	-14.4	-0.6	1.4	4.9
International Shares						
MSCI All Countries World Net Index (AUD)	-9.7	-5.6	3.0	9.2	7.5	10.3
Australian Fixed Interest						
Bloomberg AusBond Composite 0+ Yr Index	3.0	1.6	6.8	5.7	4.2	5.9
International Fixed Interest						
FTSE World Broad Investment Grade Index AUD Hedged	1.7	0.8	6.2	4.5	4.0	6.1
Property						
S&P/ASX 200 A-REIT Accumulation Index	-34.4	-35.0	-31.7	-5.1	0.2	7.1
Cash						
Bloomberg AusBond Bank Bill Index	0.3	0.5	1.2	1.7	1.8	2.8
Currency						
AUD/USD	-12.9	-9.3	-13.8	-7.1	-4.3	-4.0

Financial markets commentary:

In the month of March, the COVID-19 virus was classified as a global pandemic. With the rapid spread of the virus, authorities were forced to take drastic measures, in some cases shutting down entire countries, in an attempt to slow down the spread of the disease. Risk assets including equities and credit consequently sold off sharply. The negative impact on economic activity is likely to result in global recession in the next few months. Sentiment improved a little towards the end of the month of March, as governments and central banks announced unprecedented fiscal stimulus packages to help support the economic impact.

After leaving interest rates unchanged in January and February, the Reserve Bank of Australia lowered rates twice to 0.25% which is an all-time low. The RBA started engaging in more unconventional policy measures, in particular the Quantitative Easing (QE) program which involves buying large quantities of bonds in the open market with the goal of supporting the liquidity into the financial system. On top of the RBA's monetary policy actions, the Australian government announced three separate fiscal packages which were designed to minimise the economic impact of the COVID-19 caused shutdowns. Over the March quarter, the Australian dollar dropped fell -12.9% against the US dollar to 61.2 cents.

The S&P/ASX 200 Accumulation Index declined -20.7% over the March quarter as the share markets remained highly volatile in response to the growing health concern. The combination of an oil price collapse and the continued spread of the coronavirus saw the Australian share market follow the trend of the global equity markets. The energy sector was the worst performing sector for the quarter returning -48.9%. Consumer Discretionary, Financials, Real Estate and Industrials sectors all struggled this quarter falling more than -25.0% over the quarter. The Healthcare sector was the only sector with a positive return at 1.5%.

The combination of unlimited quantitative easing promised by the US Federal Reserve and the eventual approval of a US\$2.2 trillion fiscal package by US Congress saw markets recover around half of their losses by month end. The MSCI World Index fell -20.0% in local currency terms over the March. The US Federal Reserve also cut interest rates to 0 - 0.25% (1.5% reduction from the previous month) and implemented the largest ever Quantitative Easing program to help support the financial markets.

With the extreme volatility and liquidity drying up, global central banks were forced to step in and provide the enormous capital injections. Returns from bond markets were mixed and yields moved in wider ranges on the back of emerging actions from governments and central banks. US 10-year government bond yields plunged by 125 basis points, finishing the quarter at 0.67%. UK and German 10-year yields fell 47 and 29 basis points respectively to 0.36% and -0.47% respectively. Australian 10-year government bond yields fell by 61 basis points to 0.76%. The Bloomberg AusBond Bank Bill Index returned 0.3% for the three months.

*Source: This commentary has been prepared by The Colonial Mutual Life Assurance Society Limited ABN 12 004 021 809 AFSL 235035 (CMLA) and is general information only.