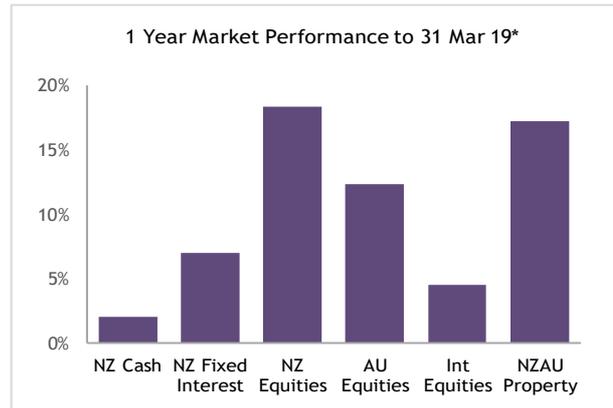
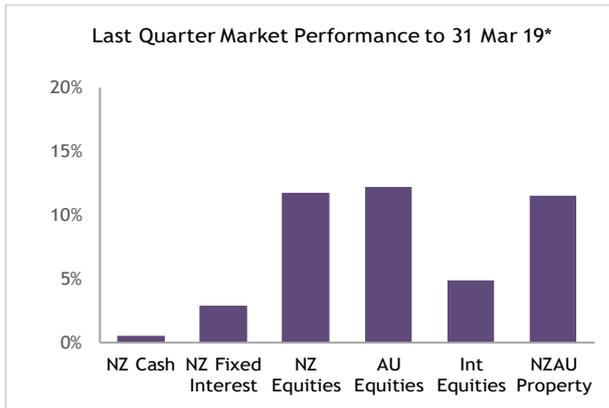


IWIinvestor Market Review: March 2019

Tirohanga ki te makete mō Poutūterangi 2019

Na te pu takitahi, nga weuweu takitini: From the one seed grows many strands

Market Overview



*Benchmarks; NZX 90 Day Bank Bill, NZX Composite A Grade, NZX50, ASX200 (NZD), MSCI World (NZD), NZX Prop/ASX200 Prop comp

The factors that caused fears in the global financial markets in the December quarter appear to be abating, largely in response to central banks around the world holding or talking of interest rate cuts. Both the share and fixed interest markets have responded favourably with a 12% rise in the MSCI World index and significant falls in bond yields in the March quarter.

Economic data confirms that the global economy continues to grow but at a slower rate. The major influence on the slowdown has been the trade tension between the 2 largest economies, United States and China. China is becoming the growth engine of the global economy and the trade tension is impacting economies in Europe, Asia, Australia and New Zealand. Comments from the 'White House' suggests that a trade accord is close which provides comfort to investors that the deceleration could reverse by year end.

Apart from the Australasian share markets, other major markets have yet to recover the losses in the December quarter. Financial markets are likely to remain cautious until the trade dispute is resolved.

Quarter Benchmark Performance:

-  NZ Fixed Interest up 2.9%
-  NZ Equities: up 11.7%
-  Australian Equities: up 12.2% (NZD), up 10.9% (local currency).
-  International Equities: up 4.8% (NZD), up 12.6% (local currency).

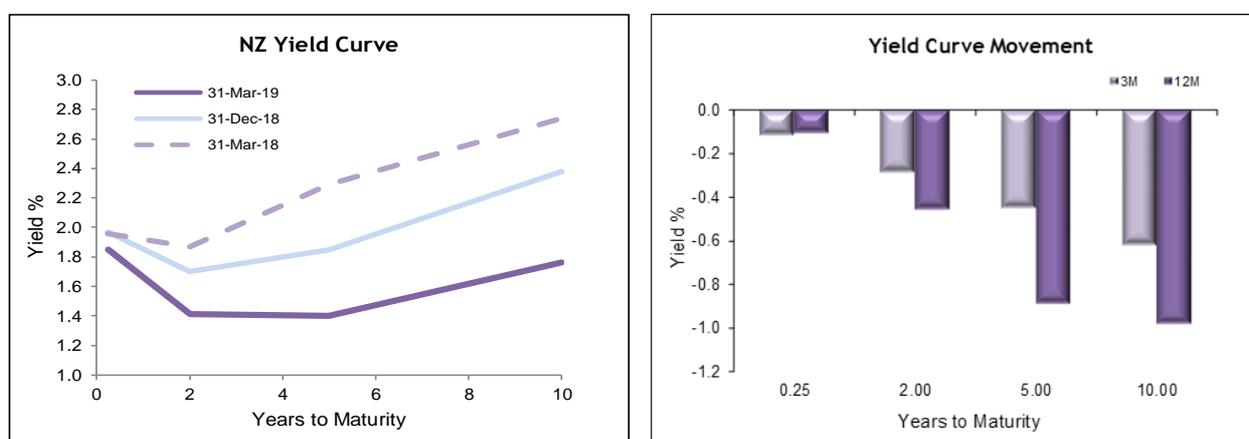


NZ Cash & Fixed Interest

Bonds (gross return)	Level	3M	6M	1Y	3Y	5Y	10Y	15Y
NZX 90 Day Bank Bill	721	0.5%	1.0%	2.0%	2.1%	2.6%	2.7%	4.3%
NZX Govt Bond Index	1,803	3.1%	4.6%	7.4%	4.3%	5.7%	5.4%	5.8%
NZX Composite A Grade	4,993	2.9%	4.3%	7.0%	4.3%	5.7%	5.7%	6.0%

Low interest rates for longer has been the tone in globally and New Zealand is not an exception. Our Reserve Bank has held the Official Cash rate throughout the quarter and has signalled an easing bias with the expectation that the next move in the rate is likely to be down.

This led to significant fall in bond yields as investors' perceived continuing weakness in the economy and sought refuge in the fixed interest market. The 10 years Government bond fell from 2.37% to a record low 1.81% in the quarter. The decline in the yield curve, over the quarter or the year, has been greater in the longer maturities.



New Zealand & Australian Equities

Equities (gross return)	Level	3M	6M	1Y	3Y	5Y	10Y	15Y
NZX50	9,845	11.7%	5.3%	18.3%	13.4%	13.9%	14.3%	9.3%
ASX200 (Local)	65,101	10.9%	1.8%	12.1%	11.5%	7.4%	10.4%	8.7%
ASX200 (NZD)		12.2%	-0.9%	12.3%	9.9%	7.3%	8.9%	8.1%

Both the New Zealand and the Australian share markets had a strong recovery in the March quarter, erasing the loss in the previous quarter with the local market at a record high.

The high dividend yielding NZ market, dominated by the electricity sector, saw substantial lift as investors sought income shares given the prospects of continuing low interest rates. Despite the surge in global dairy price, adversely affecting dairy companies, shares in A2 and Synlait rebounded strongly as their growth continues to surprise the market.

The Australian share market also had a strong quarter despite the downward pressure on the financial sector as resource companies benefitted from higher commodity prices (oil and iron ore in particular) and improving financial structures. Major share buy backs lifting investor sentiments. Property companies also rose strongly as investors sought their high dividend yields.



International Equities

Equities (gross return)	Level	3M	6M	1Y	3Y	5Y	10Y	15Y
MSCI World (Local)	4,662	12.6%	-2.2%	6.7%	11.2%	8.4%	12.6%	7.0%
MSCI World (NZD)		4.8%	-10.5%	4.5%	9.2%	10.8%	9.6%	6.2%

The rapid change in sentiment in the global share market in the quarter saw strong gains in all the major markets. However, the performance was mixed as the United States rose 13% while Japan lagged at 6%. Despite the continuing debacle with Brexit, the UK share market gained 8% as its index, dominated by multinationals, benefit from the improving sentiment on global economy.

While interest rates are destined to be lower for longer still and benefits the share markets, the outlook for the global economy remains unclear until there is a positive outcome from the trade dispute discussions. Consequently, investor sentiment is likely to remain volatile.

Property (gross return)	Level	3M	6M	1Y	3Y	5Y	10Y	15Y
NZX Property	1,395	7.6%	8.1%	18.3%	6.9%	12.5%	12.2%	9.4%
ASX200 Property (Local)	3,592	14.1%	5.8%	15.9%	4.3%	9.0%	8.8%	-0.1%
ASX200 Property (NZD)		15.4%	3.0%	16.2%	2.9%	8.9%	7.4%	-0.6%
Currencies (% change)	Level	3M	6M	1Y	3Y	5Y	10Y	15Y
NZD / AUD	0.9409	-1.2%	2.7%	-0.2%	1.4%	0.1%	1.3%	0.5%
NZD / USD	0.7203	7.3%	8.9%	-0.5%	1.3%	-3.6%	2.5%	0.6%
NZ TWI	74.3	1.1%	3.1%	0.1%	0.5%	-1.7%	2.8%	0.8%
Commodities (% change)	Level	3M	6M	1Y	3Y	5Y	10Y	15Y
Oil Prices (US\$/WTI)	60.14	32.4%	-17.9%	-7.4%	16.2%	-10.0%	1.9%	3.5%
CRB Index	183.75	8.2%	-5.8%	-5.9%	2.5%	-9.6%	-1.8%	-2.9%

