



Global Macro Individually Managed Accounts

MONTHLY NEWSLETTER

MAY 2017

Global stock markets basically remained range bound for the month of April. Strong corporate earnings were somewhat dulled by geopolitical concerns over North Korea and the French elections. Markets moved to the top end of ranges late in the month when the probable demise of the right wing nationalists in the French presidential elections became apparent, with volatility also dropping to extremely low levels.

With geopolitical concerns waning, an average rise in reported corporate profits across the board by US companies of about 12 percent saw a bid return to the markets. The NASDAQ has buoyed the market with the tech giants Apple, Alphabet, Amazon and Facebook leading the way.

The market has seemed a lot less Trump sensitive of late as investors become comfortable with rising profits and a less rigorous regulatory environment. Even a failure of the Trump administration to remove Obamacare had little effect on the market as fund managers turned their eyes to the possibility of tax cuts in the second half of the year.

The one negative in the market has been the fall of the US 10 year yield back towards 2percent which has taken the edge off a good run in major US banks, which all reported (with the exception of Goldman Sachs) extremely good revenue and income growth.

The Australian market has followed the lead of overseas bourses, pushing towards the magical 6000 market as the month ended. Materials stocks lagged in the month as commodity prices

softened but this was compensated by good performances across the board in most sectors.

Commodity prices were generally weaker with iron ore the major concern, falling around 30 percent after a golden run. BHP Rio and Fortescue all suffered off the back of this. Oil also gave back some of its recent gains as the uncertainty of further production cuts out of OPEC concerned the market.

One notable decliner was Telstra which weakened dramatically to around 4 dollars, a level we believe is good long term value on a dividend basis.

The Australian dollar also weakened to the low end of its range around 75c as the fall in commodity prices and the probability of further interest rate cuts weighed on the market.