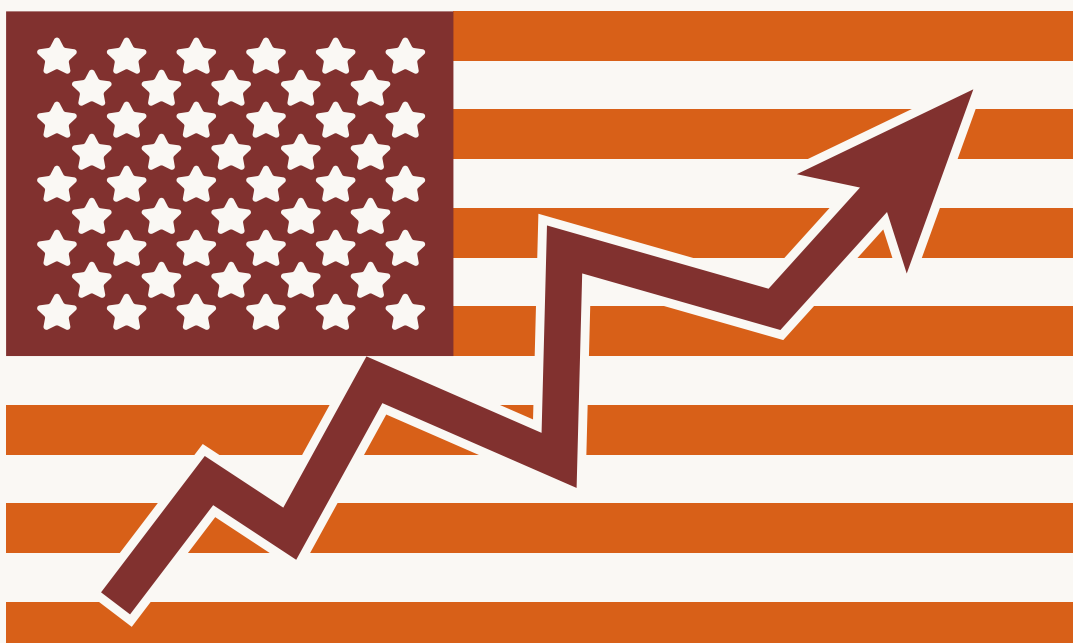


Economic and market update

May 2017

Top 3 themes



US shares: Record highs

US shares achieved record highs in May, driven by strong corporate profit results and continued optimism over President Trump's policy agenda. Notably US technology shares have surged with the NASDAQ posting a strong 2.7% gain for May.



Iron ore: Prices fall

Iron ore prices again fell sharply in May, falling from US\$68 to US\$60 per tonne. This was driven by rising global supply and tighter credit conditions in China.



Australian dollar: Declined

The Australian dollar declined against the US dollar given weaker iron ore prices and expectations for US interest rates to continue rising in 2017.

Australia

Australian shares disappointed in May with a 2.8% fall. The Federal Government's announcement of a bank levy, soft retail spending and weaker commodity prices were the key contributors to this performance. The new bank levy also weighed heavily on the Financials sector, which fell sharply. There were strong sector performances from the Industrials given encouraging transport activity data from Qantas and Sydney Airport. The Telecommunications sector also rebounded by 3.4% after a weak performance earlier this year.

Australia's economic activity remains modest and mixed. Housing construction appears to be cooling while retail spending is still subdued. However there are some encouraging signs in the solid rebound in jobs growth and strong responses from the National Australia Bank business survey.



Industrials
+4.7%



Financials
-7.7%

Performance for the month of May 2017. Sector returns are for the S&P/ASX 200 Accumulation GICS indices.

Share market performance – May



-2.8%

AU



+1.3%

US



+4.9%

UK



+1.4%

DE



+2.0%

FR



+2.4%

JP



+4.3%

HK



-1.2%

CN

Performance for the month of May 2017. S&P/ASX 200 Accumulation Index; S&P 500 Index; FTSE 100 Index; German Aktien Index (DAX); France CAC40 Index; Nikkei 225 Index; Hang Seng Index; Shanghai Composite Index (all in local currency and unhedged).

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