Global
Market Outlook

BetaShares
Exchange Traded Funds

JULY 2017

EQUITIES CONSOLIDATE

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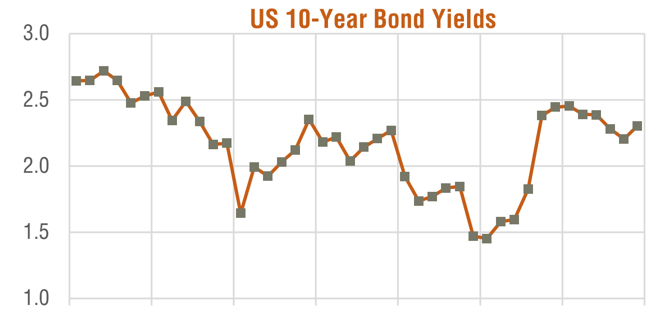
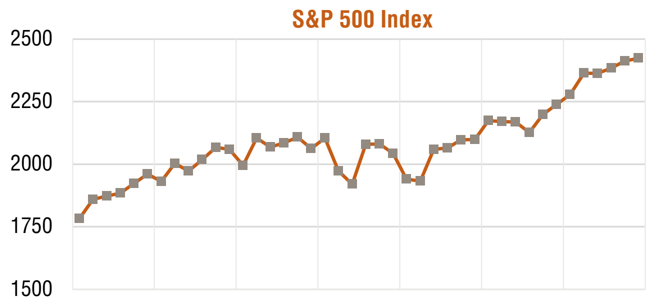
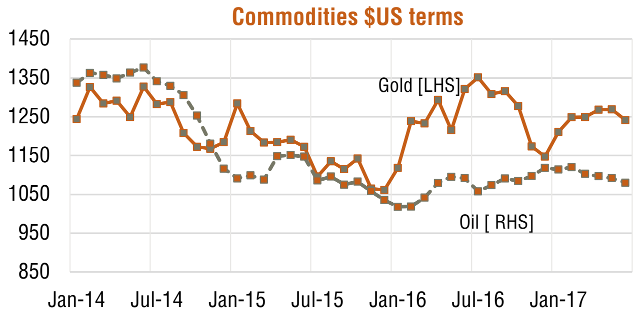
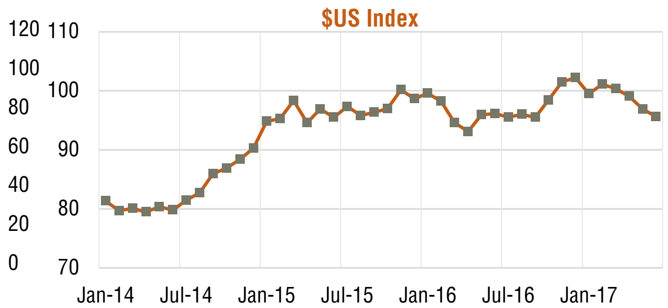
GLOBAL MARKETS

- The MSCI All-Country World Equity Total Return Index (hedged) inched ahead only 0.3% in June, after recent solid monthly gains. Weakness in oil prices hurt energy stocks, while concerns over valuations also dragged down tech stocks. A lift in bond yields – reflecting more hawkish comments from a number of central banks – also slowed the global equity advance. The $US fell due to heightened policy tightening expectations outside of the US, which in turn provided some support to agricultural prices, though not Gold (or Oil!).
- The rebound in US 10-year bond yields – from 2.2% to 2.3% - was the first monthly advance since January and helped to weaken fixed income and listed-property returns.







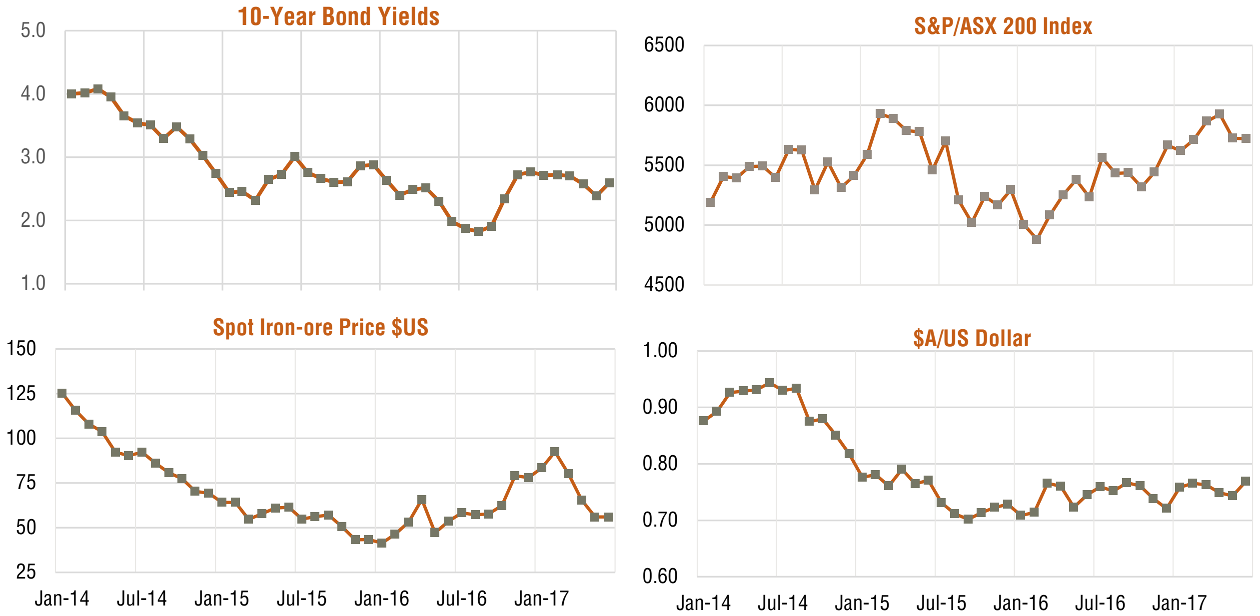


Source: BetaShares, Bloomberg

AUSTRALIAN MARKETS

- The S&P/ASX 200 Index (total return) broadly matched global market performance, rising by 0.2% after a sharp 2.8% decline in May. After a drop of 7.7% last month – in the wake of the Federal Government's new tax on banks – the financial sector rebounded 1.6%. Resource stocks, however, declined 2.1% as iron-ore prices stabilised after significant falls in previous months. The weaker $US saw the $A firm, which meant local equities outperformed global stocks on an unhedged $A basis.
- Reflecting global trends, local 10-year bond yields rose from 2.4% to 2.6%, though the market continues to expect no change in official rates over the remainder of the year.

Australian Markets



Source: BetaShares, Bloomberg

OUTLOOK

- After solid gains in recent months, global equities consolidated in June in the face of a few new challenges. Most particularly, more central banks are talking about policy tightening, even as lower-than-expected inflation and economic growth outcomes in the US have reduced fears of aggressive further policy action from the Fed this year. There are also concerns that the US technology sector has reached high valuations and is accounting for an undue proportion of US equity market gains.
- That said, **the outlook for global equities remains encouraging due to the still quite benign inflation backdrop and broadening global economic recovery**. Low inflation means central banks – such as the European Central Bank – should remain very cautious in winding back stimulus measures, and would likely backtrack at the first sign of economic weakness or financial market instability.
- What's more, while there should be some downward pressure on equity market valuations as and when bond yields rise, a broadening in the global economic recovery continues to bode well for at least moderate earnings growth and catch-up equity gains in Europe and Japan.
- Despite some concerns to the contrary, even **the tech-heavy NASDAQ-100 Index is still trading on a price-to-forward earnings ratio modestly below its long-run average**. At the same time, fears of an anti-EU backlash in Europe have eased, as have the impeachment risks surrounding US President Donald Trump.
- Favoured global investment themes include Japanese equities (such as ASX: HJPN, which could benefit from a weaker Yen) and global banks (such as ASX: BNKS, which could benefit from higher bond yields). European stocks (such as ASX: HEUR) are also performing well as growth improves and political fears ease. Irrespective of bond yields and the $US, the US Nasdaq-100 Index (such as ASX: NDQ) should also continue to be supported by rising US corporate earnings.

Asset Class Return Performance

	Jun-17	May-17	6-mth	12-mth	Performance Rank Month	3-mth	6-mth	12-mth
Cash	0.1%	0.1%	0.9%	1.8%	2	3	4	3
Aust. Bonds	-0.9%	1.2%	2.3%	0.2%	4	2	3	4
Aust. Property	-4.8%	-1.1%	-3.7%	-6.3%	6	5	6	6
Aust. Equities	0.2%	-2.8%	3.2%	14.1%	1	6	2	2
Int. Equities - unhedged	-2.8%	2.8%	4.4%	15.3%	5	1	1	1
Commodities - hedged	-0.1%	-0.8%	-3.0%	-5.3%	3	4	5	5
Int. Equities - hedged	0.3%	1.4%	8.8%	19.4%				
World currencies vs $A	-3.1%	1.4%	-4.1%	-3.4%				

Total returns for the month Source: Bloomberg

ASSET BENCHMARKS **Cash:** UBS Bank Bill Index; **Australian Equities**: S&P/ASX 200 Index; **Australia Bonds:** Bloomberg Composite Bond Index; **Australian Property:** S&P/ASX 200 A-REITs; **International Equities:** MSCI All-Country World Index, unhedged $A terms; **Commodities:** S&P GSCI Light Energy Index, $US terms

Returns for Selected BetaShares ETF Exposures*

Total return performance

Investment Exposure	ASX Code	Jun-17	May-17	6-mth	12-mth
Cash	AAA	0.2%	0.2%	1.0%	2.1%
Aust. Equities					
Aust - Fund. weight	QOZ	-0.2%	-3.1%	2.1%	20.3%
Resources	QRE	-2.1%	1.2%	-0.3%	22.9%
Financials	QFN	1.6%	-7.7%	1.2%	20.0%
Ex-20	EX20	0.9%	0.7%	8.0%	15.0%
Global Equities - Unhedged					
US-Fund. weight	QUS	-2.2%	0.6%	-2.4%	11.5%
US-Nasdaq	NDQ	-5.7%	4.7%	9.5%	25.4%
Global Equities - Currency hedged					
Agriculture	FOOD	0.2%	2.4%	3.9%	16.5%
Health Care	DRUG	2.3%	5.7%	13.5%	10.2%
Global Banks	BNKS	4.2%	3.3%	7.6%	46.1%
Energy	FUEL	-2.3%	-6.4%	-10.2%	2.2%
Gold Miners	MNRS	-5.5%	-5.0%	2.1%	-20.5%
Cybersecurity	HACK	-1.0%	-0.5%	10.6%	26.1%
Europe	HEUR	-3.0%	0.5%	10.2%	28.1%
Japan	HJPN	3.4%	0.2%	6.2%	39.8%
Commodities - Currency hedged					
Oil	OOO	-5.1%	-10.6%	-18.7%	-17.0%
Gold	QAU	0.0%	-1.5%	-2.4%	-4.2%
Agriculture	QAG	3.9%	0.9%	-0.5%	-10.4%
Composite Basket	QCB	-0.1%	-0.8%	-3.0%	-5.3%

*For comparison purposes, returns are for underlying indices tracked by each ETF, excluding management fees except in the case of AAA

Past performance is not indicative of future performance.

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ABOUT BETASHARES

BetaShares Capital Ltd ("BetaShares") is a leading manager of exchange traded products ("ETPs") which are traded on the Australian Securities Exchange. BetaShares offers a range of ETPs which cover Australian and international equities, cash, currencies, commodities and alternative strategies. BetaShares currently has approximately $4.5 billion in assets under management.

BetaShares is a member of the Mirae Asset Global Investments Group, one of Asia's largest asset management firms. Mirae currently manages over US$100B.