

Market Bulletin

This month's market update comes from Baillie Gifford & Co, Manager of the Omnis Asia Pacific Equity Fund.

It has been a challenging start to 2016 for the Developed Asian markets. Despite a welcome rebound since February, the MSCI Pacific Index has been weak so far this year and underperformed other regions. In a reversal from the strong performance in 2015, Japan has been the laggard, while the other markets in the region which had struggled during 2015, have made a better start to the year.

Commodity indices have also reversed the weakness of 2015 with a strong rebound in the opening months of 2016. Among other things, this appears to have been driven by better sentiment towards China and a weaker dollar. Whether this rally in commodity prices persists or flounders in the coming quarters we do not know, but it has doubtless been a supportive factor for the broad Australian index so far in 2016.

In Japan, GDP data for the fourth quarter came in below expectations, contracting by a little over 1% on an annualised basis, and macro-economic data releases since then have been lacklustre. With little evidence yet of a self-sustaining recovery, many economists and politicians are beginning to voice their concerns surrounding next year's planned consumption tax hike. At the end of January we also saw further attempts at monetary stimulus by the governor of the Bank of Japan, Haruhiko Kuroda when he announced for the first time the introduction of negative interest rates on certain bank deposits, a policy that has been used in some Continental European countries already, but a new departure for Japan. The reception for this policy so far has been lukewarm, and Japanese bank shares have responded particularly poorly, probably from a combination of the likely impact such a policy will have on their profits and the message it sends about the state of the Japanese economic recovery. The strengthening of the yen following the introduction of the negative interest rate policy has been a surprise, and is no doubt a significant factor weighing on market sentiment.



Past performance is not a guide to future performance. The value of an investment and any income from it can fall as well as rise as a result of market and currency fluctuations. You may not get back the amount you originally invested.

For information only. Always seek our professional advice before acting.

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