

Monthly Market Snapshot

AUGUST 2017

The Monthly Market Snapshot publication provides commentary on the global economy and the performance of financial markets

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Key insights

In August, global equities marginally increased, while global bonds rallied as bond yields declined, except for Australian bonds, which were flat during the month. Emerging market equities, including China, continued to perform strongly posting a 5% return for the financial year to date. Similarly, the Australian Resources sector also had a strong gain with a return of more than 10% over the first two months of the financial year, driven by a strong recovery in commodity prices. Iron ore and coal prices have gone up by more than 30% over the past year.

The economic outlook for China remains positive supported by positive data releases including GDP growth just shy of 7%. The inflation has bounced off its recent lows early this year but is still benign relative to its history. Expansionary Manufacturing and Services PMI readings with strong consumer spending reflect that business condition and consumer sentiment are still positive in China. The growth rate of new house prices appear to have peaked in late 2016 and the rate of growth has slowly decreased. Industrial production growth remained above 6% year-on-year, while the mining output component has been a detractor since early 2016.

In the US, Trump's tax reforms and fiscal stimulus are still in doubt and continue to weigh on the country's economic outlook. These uncertainties, combined with an increased risk following the geo-political tensions of the North Korean nuclear missile tests, has brought the US 10-year government bond yield down to 2.2%. Inflation remained below 2%, and the unemployment rate moved slightly up to 4.4%. The US dollar has continued to weaken against most of the major currencies, with more investors questioning the potential for another

Federal Reserve's policy rate increase later this year.

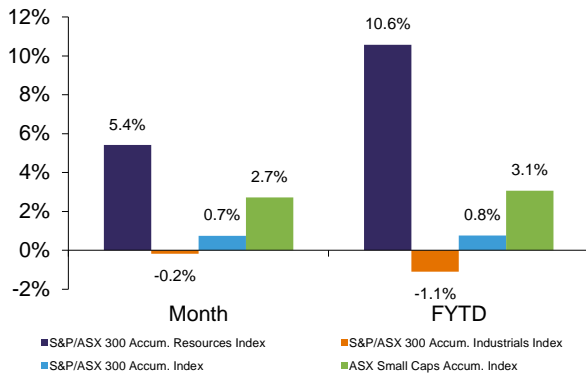
Australia's trade surplus, which had surged to a record high in the first quarter of this year, has gradually narrowed during recent months. The Australian dollar remains uplifted at 80 US cents. Business condition indicators were mixed in August, with business confidence, measured by NAB Business Survey, sharply declined during the month, while Manufacturing and Services PMI survey results were pointing to a continued expansion. Consumer confidence, measured by Westpac-Melbourne Institute Consumer Sentiment Index, picked up in August, although it remains below its long-term trend, which is attributed to the high levels of household indebtedness in Australia.

In Europe, both business and consumer sectors continued to improve in August, which supports the European Central Bank's plan to begin reducing its monetary stimulus program in the coming years. The central bank kept its policy rate unchanged at 0% early in September.

Finally, Australian listed property (A-REITs) increased by 1.5%, while hedged Global listed property was flat.



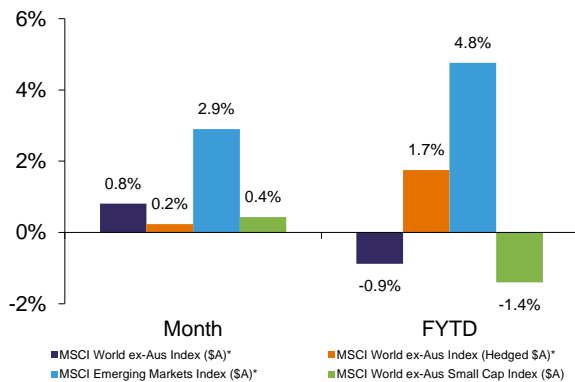
Australian equities



Australian equities increased by 0.7%, while the Resources sector surged again in August by 5.4%, gaining 10.6% for the financial year to date.



International equities (\$A)

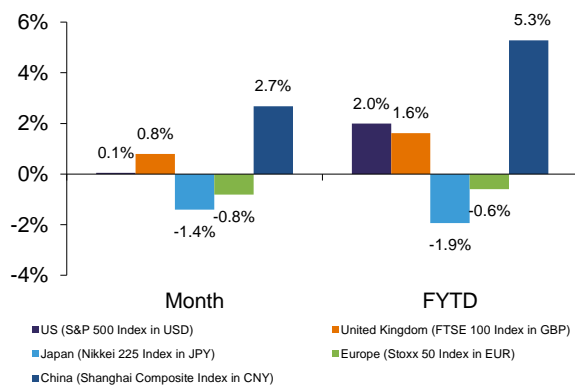


Emerging market equities continued to lead the global equity markets with an increase of 2.9% during August.

The hedged MSCI World Index was relatively flat gaining 0.2%. The unhedged MSCI World index rose by 0.8%, as the Australian dollar weakened over the month.



International equities (local currencies)

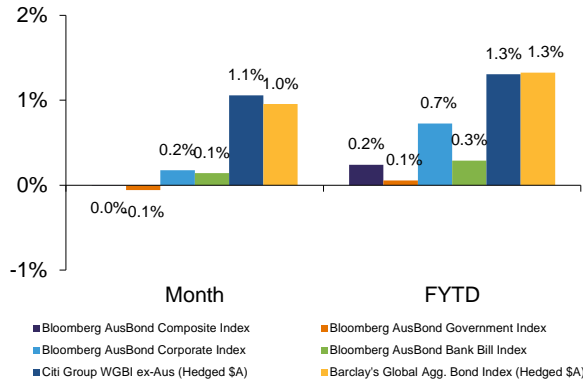


Major equity markets' performance was mixed in August with US equities flat, while Chinese and UK equities were up by 2.7% and 0.8%, respectively, and Japanese and European equities were down by 1.4% and 0.8%, respectively.

Chinese equities rallied in the financial year to date, having increased by 5.3% over the two months.



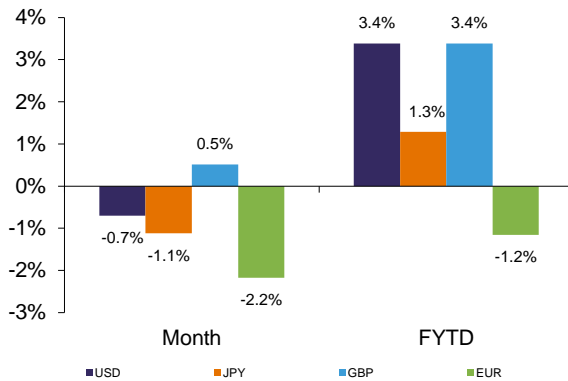
Fixed income



Global bonds rallied increasing by 1.0% during the month, while Australian bonds were relatively flat.



Australian dollar against major currencies

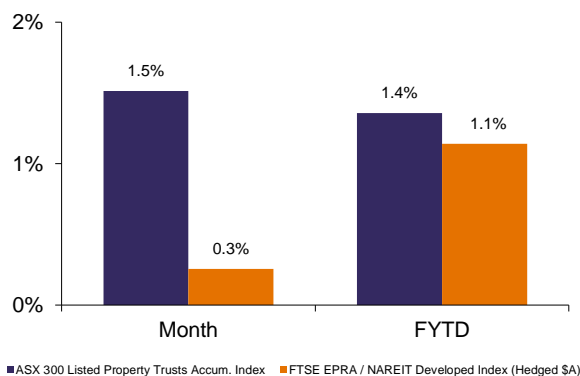


The Australian dollar (AUD) depreciated against all major foreign currencies in August, except for the British Pound. Against the Euro, the AUD declined by 2.2% during the month.

For the financial year to date, the AUD has recorded gains against the USD (3.4%), GBP (3.4%), and JPY (1.3%) and a loss against the Euro (-1.2%).











Property



In August, Australian listed property increased by 1.5%, while hedged Global listed property was flat.

August

	Index value	Month	3 months	FYTD	1 year
Australian Equities					
 S&P/ASX 300 Accum. Index	55,413	0.7%	1.0%	0.8%	9.5%
S&P/ASX 300 Accum. Industrials Index	112,615	-0.2%	-0.4%	-1.1%	6.6%
S&P/ASX 300 Accum. Resources Index	21,443	5.4%	8.3%	10.6%	26.0%
ASX Small Caps Accum. Index	6,752	2.7%	5.1%	3.1%	3.2%
International Equities					
 MSCI World ex-Aus Index (\$A)*	7,796	0.8%	-3.5%	-0.9%	10.1%
MSCI World ex-Aus Index (Hedged \$A)*	1,515	0.2%	1.9%	1.7%	17.1%
MSCI Emerging Markets Index (\$A)*	614	2.9%	2.7%	4.8%	18.0%
MSCI World ex-Aus Small Cap Index (\$A)	491	0.4%	-3.0%	-1.4%	9.3%
US (S&P 500 Index in USD)	2,472	0.1%	2.5%	2.0%	13.9%
United Kingdom (FTSE 100 Index in GBP)	7,431	0.8%	-1.2%	1.6%	9.6%
Japan (Nikkei 225 Index in JPY)	19,646	-1.4%	0.0%	-1.9%	16.3%
Europe (Stoxx 50 Index in EUR)	3,421	-0.8%	-3.7%	-0.6%	13.2%
China (Shanghai Composite Index in CNY)	3,361	2.7%	7.8%	5.3%	8.9%
AUD Versus...					
 USD	0.79	-0.7%	6.9%	3.4%	5.7%
JPY	87.27	-1.1%	5.6%	1.3%	12.6%
GBP	0.61	0.5%	1.0%	3.4%	6.5%
EUR	0.67	-2.2%	-0.3%	-1.2%	-1.3%
Property					
 ASX 300 Listed Property Trusts Accum. Index	43,331	1.5%	-3.2%	1.4%	-6.7%
FTSE EPRA / NAREIT Dev. Index (Hedged \$A)	2,463	0.3%	1.6%	1.1%	0.8%
Oil and Commodities					
 Crude Oil (\$/bbl)	47	-5.9%	-2.3%	2.6%	5.7%
Copper Spot (\$/tonne)	6,760	6.7%	19.5%	14.0%	46.8%
Gold Spot (\$/ounce)	1,322	3.8%	3.1%	5.8%	-0.4%
Australian Fixed Interest					
 Bloomberg AusBond Composite Index	9,031	0.0%	-0.7%	0.2%	-0.7%
Bloomberg AusBond Government Index	9,356	-0.1%	-1.0%	0.1%	-2.0%
Bloomberg AusBond Corporate Index	9,343	0.2%	0.2%	0.7%	2.2%
Bloomberg AusBond Bank Bill Index	8,638	0.1%	0.4%	0.3%	1.8%
Global Fixed Interest					
 Citi Group WGBI ex-Aus (Hedged \$A)	2,278	1.1%	1.0%	1.3%	-0.1%
Barclay's Global Agg. Bond Index (Hedged \$A)	-	1.0%	1.1%	1.3%	1.0%
Fixed Income (Yields) as at ...					
 Australia Bank Bill	31-Aug-17	31-Jul-17	31-May-17	30-Jun-17	31-Aug-16
Australia 10 Year Government Bond	1.72	1.69	1.73	1.71	1.74
US 10 Year Government Bond	2.71	2.68	2.39	2.60	1.82
UK 10 Year Government Bond	2.12	2.29	2.20	2.30	1.58
Germany 10 Year Government Bond	1.03	1.23	1.05	1.26	0.64
Japan 10 Year Government Bond	0.36	0.54	0.30	0.47	-0.07
	0.01	0.08	0.05	0.09	-0.06

* Net dividends reinvested

Frontier Advisors

Level 16, 222 Exhibition Street

Melbourne, Victoria 3000

Tel: +61 3 8648 4300

www.frontieradvisors.com.au

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