

Monthly Market Snapshot

AUGUST 2019

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

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Market Commentary

Further escalation of trade tensions contributed to a sharp decline in equity markets early in August, although markets did gradually recover some of the losses to post more moderate negative returns at the month end.

Equity markets were negative across the globe. The UK was particularly negative with ongoing political instability and the threat of a hard Brexit. The UK economy is being negatively impacted by Brexit, the impasse with GDP contracting in the second quarter of the year.

Resources stocks produced particularly large negative returns in the month with the iron ore price falling significantly, after very large price rises over the previous year. Australian small caps fell after gains in July.

Manufacturing data from the US continues to weaken with the Purchasing Managers' Index (PMI) at its lowest since 2009. There are signs of the weakness spreading to other aspects of the economy as, for example. Consumer Sentiment indices have weakened. In Europe there is looming fears of Italian and German recessions due to ongoing poor manufacturing data, particularly in the German automobile sector.

Global monetary easing is expected to continue as a result of subdued inflation and the slowdown in economic growth. The US Federal Reserve (the Fed) lowered interest rates by 0.25% at the start of the month, and expectations are that the European Central bank (ECB) will lower interest rates and reinstate quantitative easing.

China continued with its stimulus policies with The People's Bank of China (PBOC) announcing on new Loan Prime Rates (LPR) that will be used to set the interest rate of new commercial bank loans and mortgages. The move resulted in a negative response from the US, accusing China of currency manipulation. The Chinese currency USD/CNY has depreciated materially, but this has primarily been driven by broad USD strength.

Bond yields continued their downward trajectory and are at record lows across many countries. This provided strong returns from bonds in August, and government bonds, particularly Australian government bonds, have produced some of the highest investment returns over the last 12 months.

Listed property and infrastructure continued to benefit from falling bond yields and had positive returns in August, with the exception of Australian listed infrastructure.

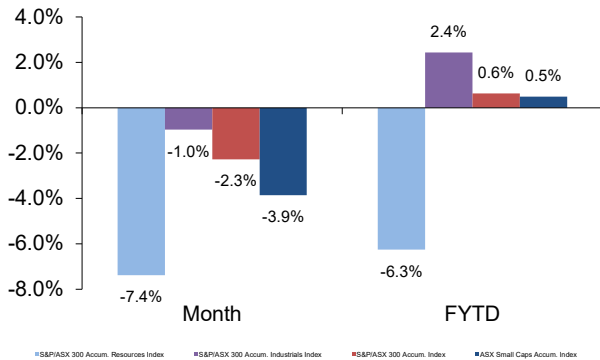
The RBA announced no change to interest rates in August. Employment data continued to be solid but the unemployment rate remained steady for the month. The housing market showed signs of recovery with houses prices rising in Melbourne and Sydney and auction clearance rates rebounding strongly. Supporting factors for this stabilisation include recent RBA rate cuts and changes to serviceability metrics by APRA. However, dwelling construction approvals continue to fall sharply and indicate that contracting housing construction will continue to be a drag on economic growth.

The Australian dollar fell further against all major currencies in August. The Australian dollar is at its lowest level against the USD since the GFC.

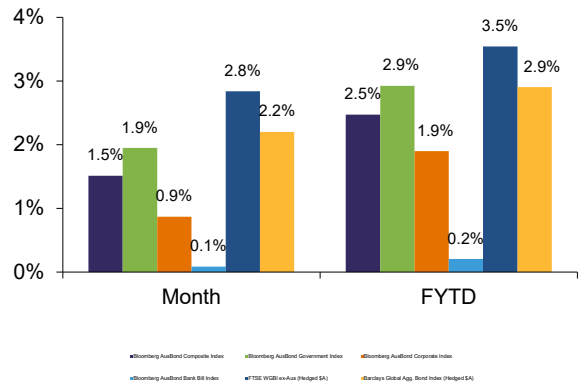
August 2019



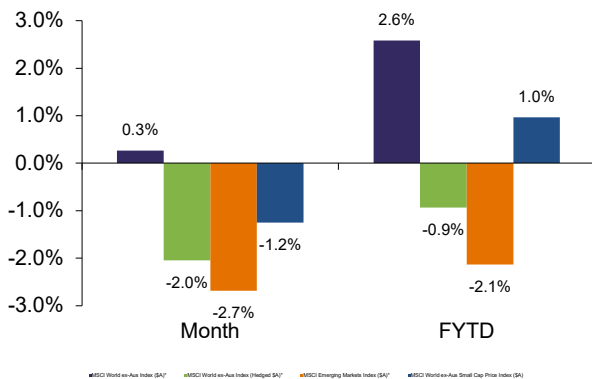
Australian Equities



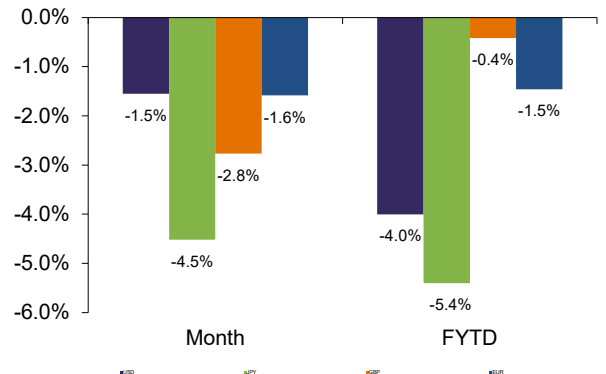
Fixed Income



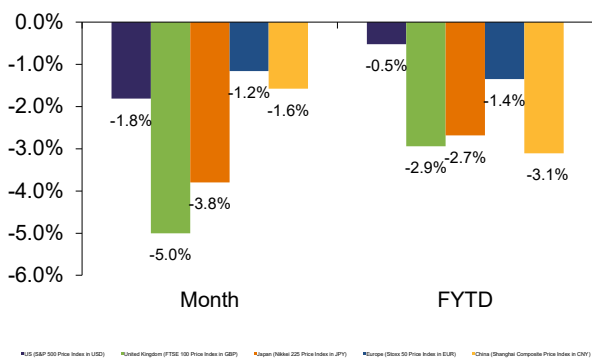
International Equities (\$A)



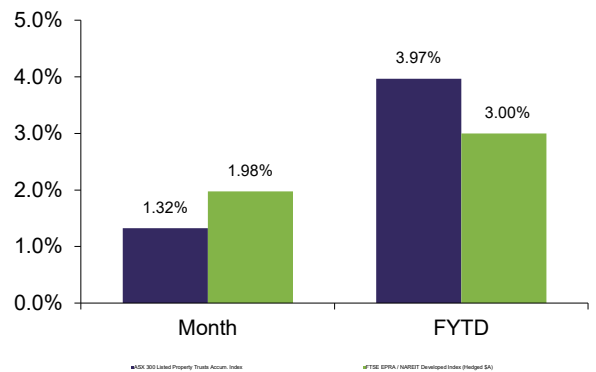
Australian Dollar



International Equities











Property



Source: Bloomberg

Details of the indexes are in the table on the next page

August 2019

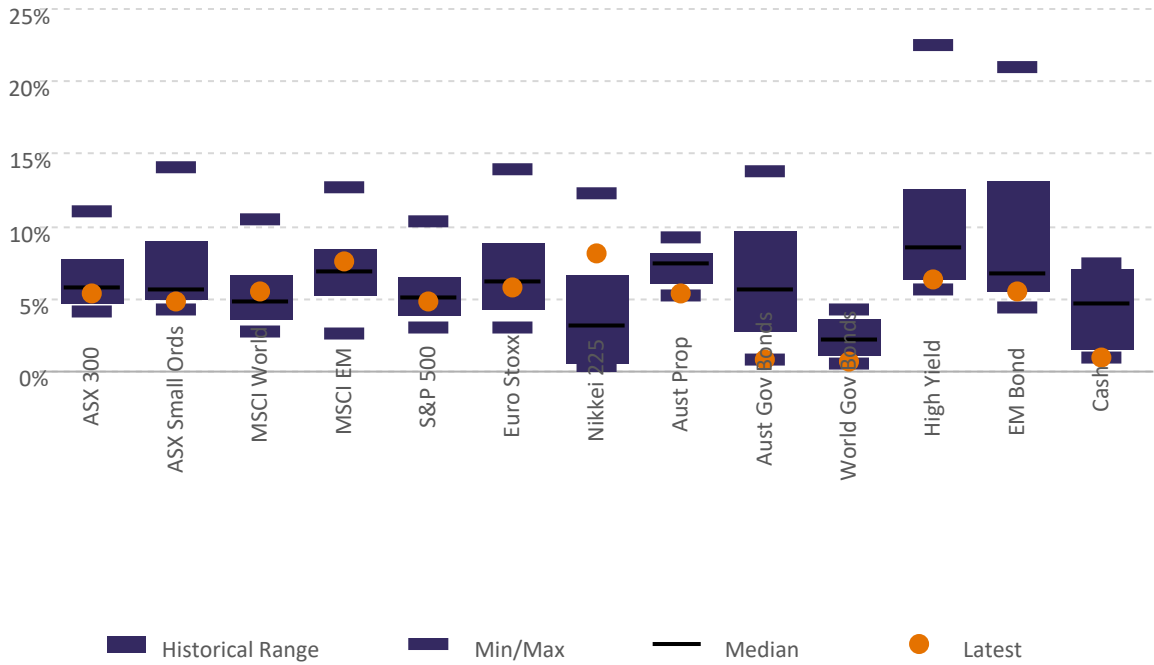
	Index value	Month	3 months	FYTD	1 year
Australian Equities					
 S&P/ASX 300 Accum. Index	69,822	-2.3%	4.3%	0.6%	9.1%
S&P/ASX 300 Accum. Industrials Index	139,326	-1.0%	5.5%	2.4%	8.3%
S&P/ASX 300 Accum. Resources Index	29,326	-7.4%	-0.4%	-6.3%	12.7%
ASX Small Caps Accum. Index	8,338	-3.9%	1.4%	0.5%	0.9%
International Equities					
 MSCI World ex-Aus Index (\$A)*	10,423	0.3%	8.0%	2.6%	7.6%
MSCI World ex-Aus Index (Hedged \$A)*	1,746	-2.0%	4.9%	-0.9%	0.5%
MSCI Emerging Markets Index (\$A)*	687	-2.7%	2.7%	-2.1%	2.7%
MSCI World ex-Aus Small Cap Index (\$A)	596	-1.2%	5.4%	1.0%	-3.7%
US (S&P 500 Index in USD)	2,926	-1.8%	6.3%	-0.5%	0.9%
United Kingdom (FTSE 100 Index in GBP)	7,207	-5.0%	0.6%	-2.9%	-3.0%
Japan (Nikkei 225 Index in JPY)	20,704	-3.8%	0.5%	-2.7%	-9.5%
Europe (Stoxx 50 Index in EUR)	3,427	-1.2%	4.5%	-1.4%	1.0%
China (Shanghai Composite Index in CNY)	2,886	-1.6%	-0.4%	-3.1%	5.9%
AUD versus ...					
 USD	0.67	-1.5%	-2.8%	-4.0%	-6.3%
JPY	71.46	-4.5%	-5.1%	-5.4%	-11.3%
GBP	0.55	-2.8%	0.5%	-0.4%	-1.1%
EUR	0.61	-1.6%	-2.1%	-1.5%	-2.2%
Property					
 ASX 300 Listed Property Trusts Accum. Index	60,066	1.3%	8.3%	4.0%	19.8%
FTSE EPRA / NAREIT Dev. Index (Hedged \$A)*	2,876	2.0%	3.9%	3.0%	8.6%
Oil and Commodities					
 Crude Oil (\$/bbl)	55	-5.9%	3.0%	-5.8%	-21.1%
Copper Spot (\$/tonne)	5,656	-4.2%	-2.6%	-5.5%	-5.2%
Gold Spot (\$/ounce)	1,529	6.4%	15.6%	7.3%	23.2%
Australian Fixed Interest					
 Bloomberg AusBond Composite Index	10,428	1.5%	3.5%	2.5%	11.2%
Bloomberg AusBond Government Index	10,999	1.9%	4.1%	2.9%	13.0%
Bloomberg AusBond Corporate Index	10,600	0.9%	2.8%	1.9%	9.0%
Bloomberg AusBond Bank Bill Index	8,958	0.1%	0.3%	0.2%	1.8%
Global Fixed Interest					
 FTSE WGBI ex-Aus (Hedged \$A)	2,556	2.8%	4.9%	3.5%	11.2%
Barclay's Global Agg. Bond Index (Hedged \$A)	-	2.2%	4.2%	2.9%	10.0%
Fixed Income (yields) as at ...					
 Australia Bank Bill	0.97	1.04	1.42	1.21	1.95
Australia 10-Year Government Bond	0.89	1.19	1.46	1.32	2.52
US 10-Year Government Bond	1.50	2.01	2.12	2.01	2.86
UK 10-Year Government Bond	0.48	0.61	0.89	0.83	1.43
Germany 10-Year Government Bond	-0.70	-0.44	-0.20	-0.33	0.33
Japan 10-Year Government Bond	-0.27	-0.15	-0.09	-0.16	0.11

Source: Bloomberg

*Net dividends reinvested

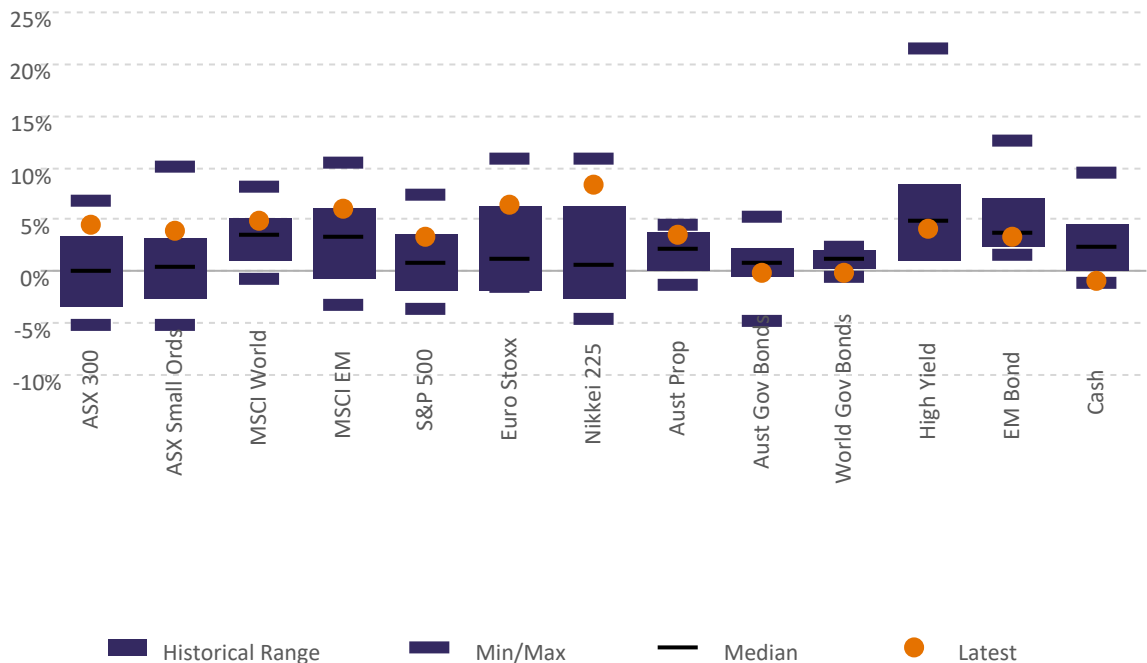
Asset Class Yields Relative to History

Current Yields (equities earnings)



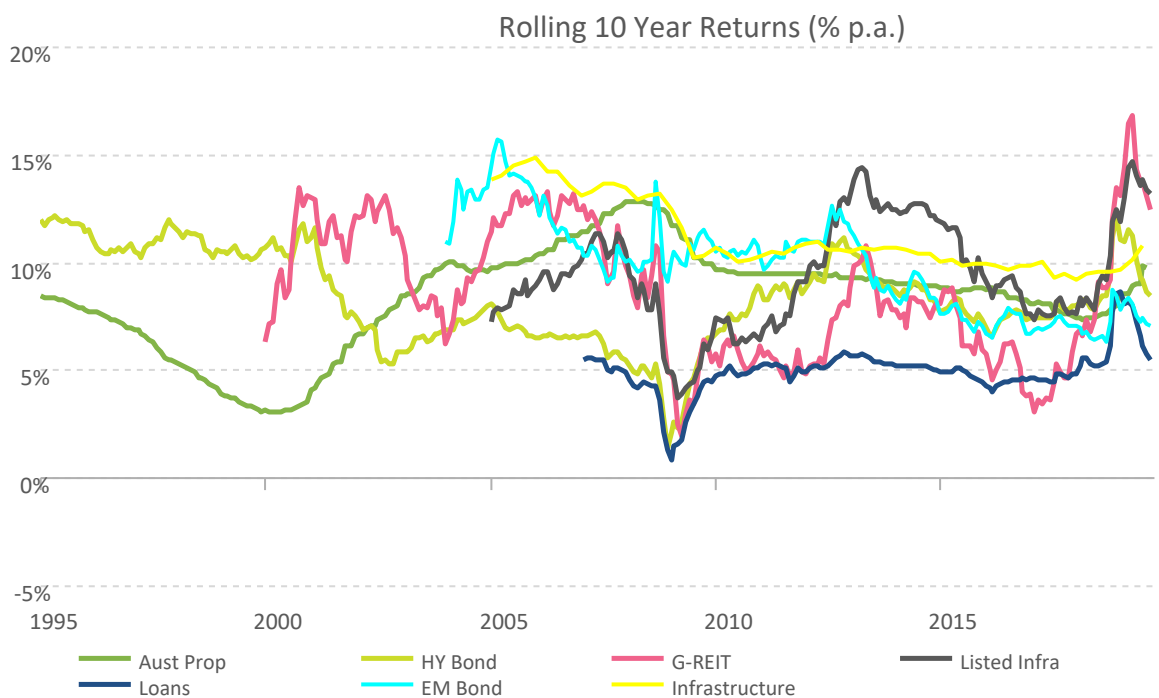
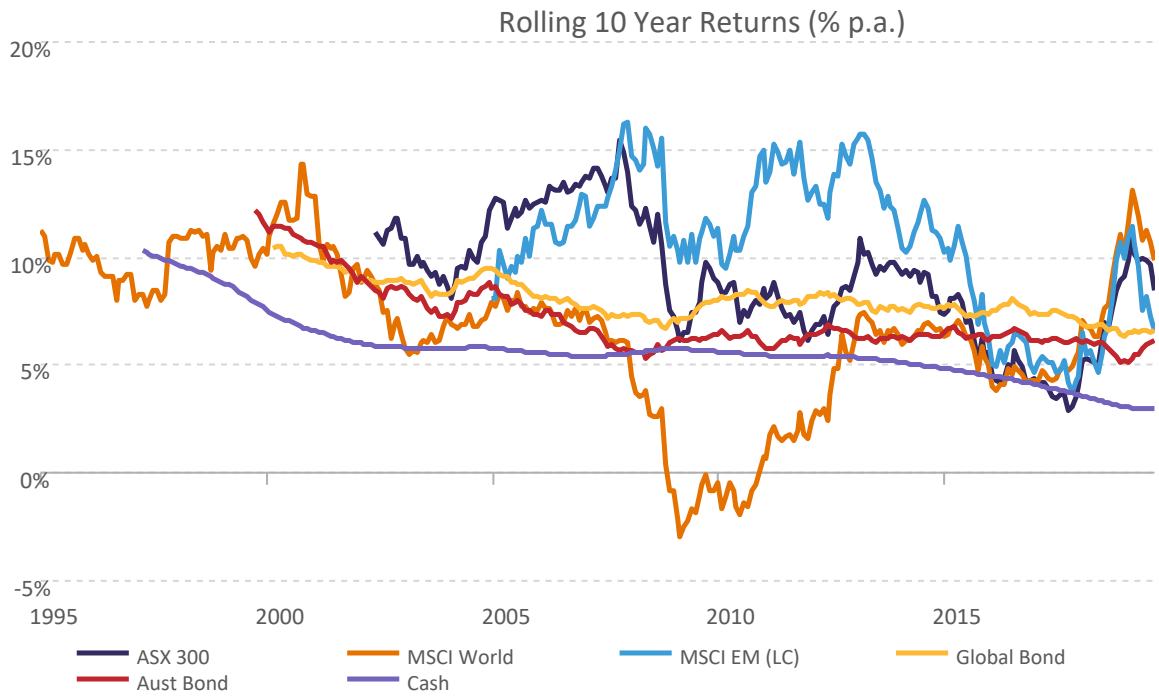
Source: Refinitiv Datastream

Relative Yields (vs bond or cash yield)



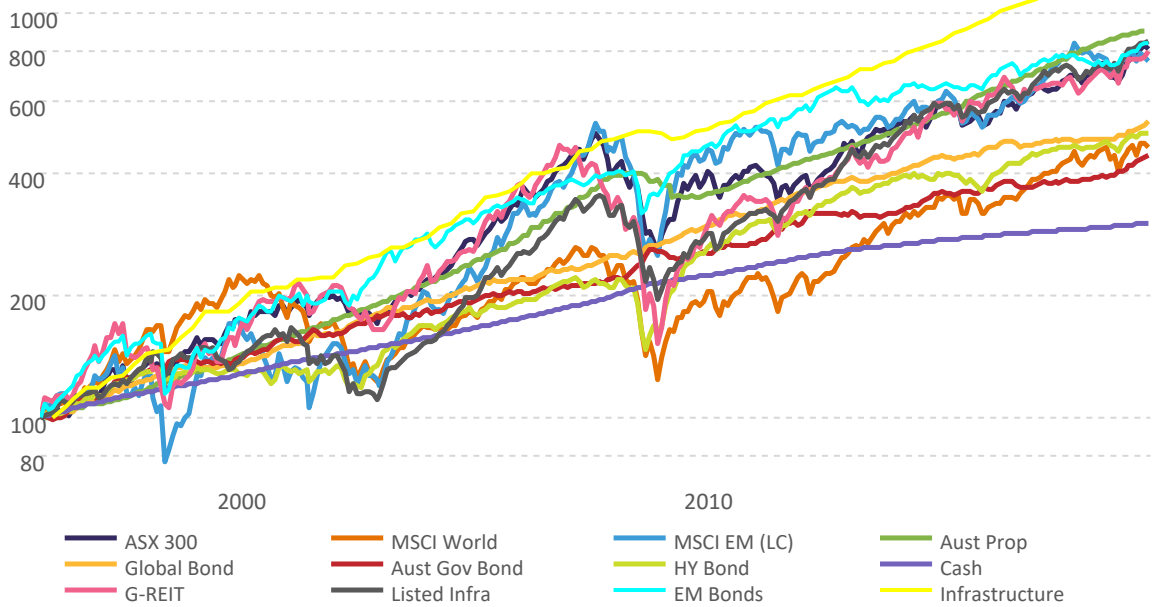
Source: Refinitiv Datastream

Asset Class Long-Term Returns



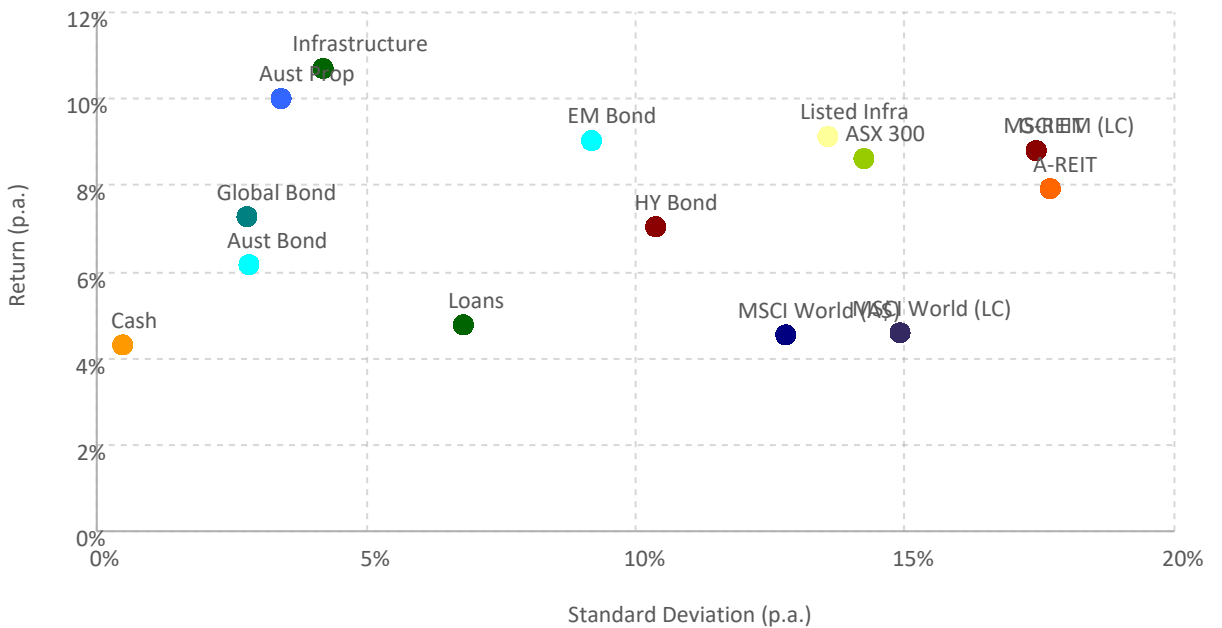
Asset Class Long-Term Returns

Cumulative Values since 1/1/1996 (\$100 reinvested)



Source: Refinitiv Datastream

Return-Risk Profile over 20 Years (p.a.) to Aug 19



Source: Refinitiv Datastream

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