

# Monthly Market Snapshot

AUGUST 2020

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



FRONTIER  
ADVISORS



# Market Commentary

Global equity markets produced strong gains over August with developed markets continuing to rebound from post-COVID-19 lows. In the US, the NASDAQ and S&P500 rallied 9.6% and 7.0% respectively. The NASDAQ (and Technology sector more broadly) is now comfortably at all-time highs. US equity returns were strong, despite uncertainty from the upcoming presidential election and ongoing high rates of COVID-19 infections. The economic backdrop remains highly uncertain. Some US activity indicators suggest reactivation has plateaued, while others suggest a strong earnings rebound. The FED monetary policy release highlighted two important changes to its framework in adopting a more flexible form of inflation, targeting regime and supporting continued gains in the labour market. In response, bond yields rose and bond returns were negative for the month.

In Europe, COVID-19 cases spiked in several countries with France and Spain reporting numbers as high as they were back in March. Advanced economic indicators suggest that business confidence has been affected as a result. European equity and bond markets performed well over the month and Chinese equity performance was also positive. Credit support from Chinese authorities has increased, contributing to a strong economic rebound as reflected in commercial vehicle and excavator sales.

Shifting the lens to the domestic front, Australian GDP data released confirmed Australia is in recession, but contraction is at the lower end relative to most other countries. Analysis suggests that the equity market is differentiating on COVID-19 impact. Data indicated a spike in savings rate, with household savings ratio reaching its highest level since 1974. The RBA extended timing and increased the Term Funding Facility bringing the total amount made available to \$200 billion. With Australian bank earnings hit hard and resources companies underperforming, Australian small caps outperformed large caps over the month.

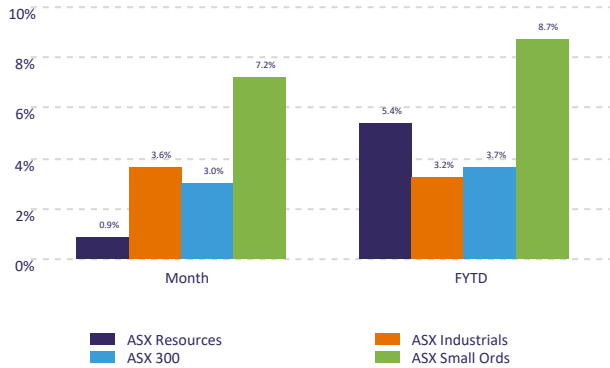
A-REITs outperformed the broad index, recovering some of the post-COVID-19 underperformance. A-REITs remains one of the worst performing asset classes over 12 months. It was a different story for listed infrastructure, with both global and Australian markets underperforming their listed market comparables.

The AUD strengthened in August, against major currencies including a weakening US dollar. The AUD benefited from a rise in the iron ore price, reflecting an increase in China demand. Brazilian supply issues remain a key contributing factor. Broader commodities returns were mixed for the month. After a strong rally, the price of gold was broadly flat over the month (but intramonth volatility was high). Gold remains one of the strongest performing asset classes over the past 12 months. The oil price continued its strong rebound.

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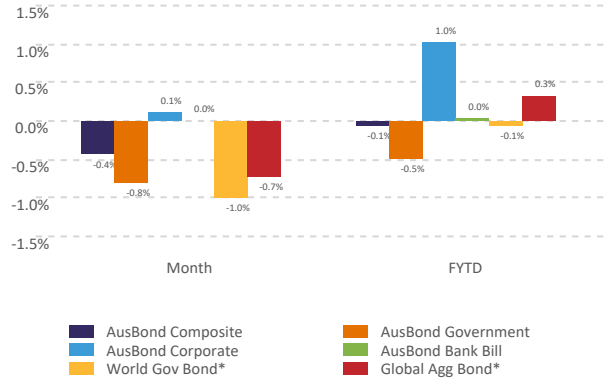
## Australian Equities



Source: Refinitiv Datastream



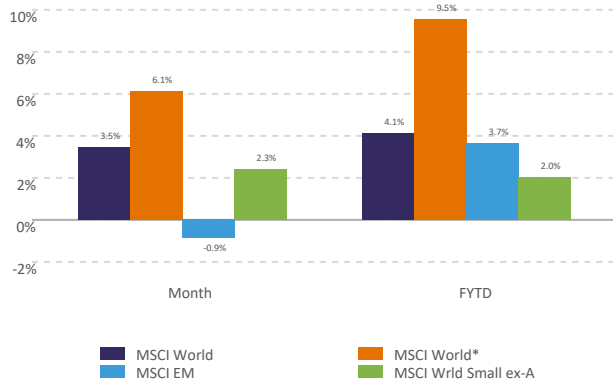
## Fixed Income



Source: Refinitiv Datastream \*Hedged AS



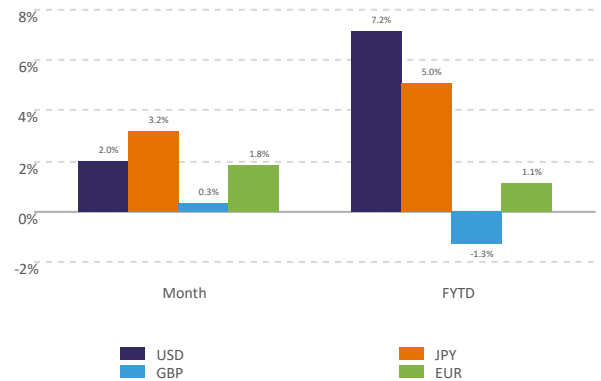
## International Equities (\$A)



Source: Refinitiv Datastream \*Hedged AS



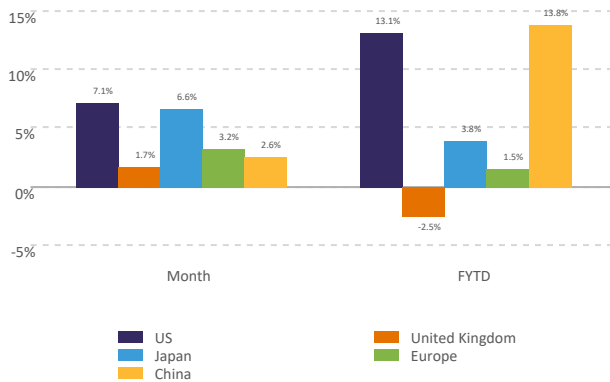
## Australian Dollar



Source: Refinitiv Datastream



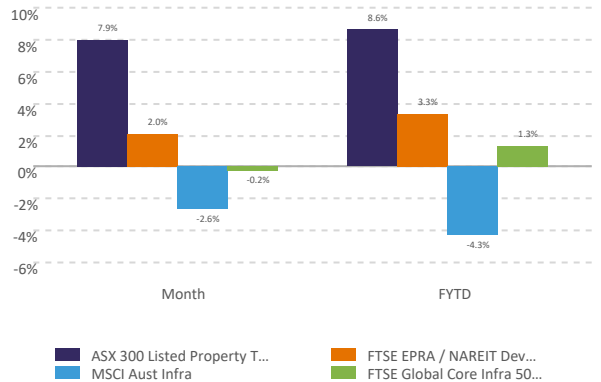
## International Equities



Source: Refinitiv Datastream











## Real Assets



Source: Refinitiv Datastream \*Hedged AS

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

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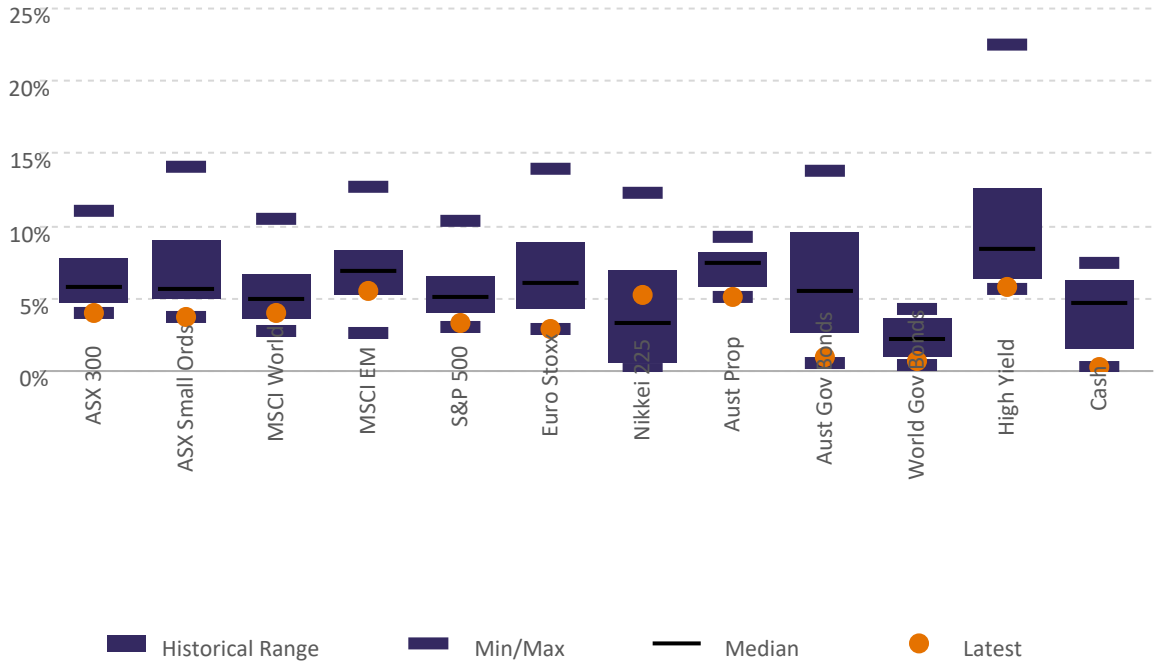
	Index Value	Month	3 Months	FYTD	1 Year
<b>Australian Equities</b>					
 S&P/ASX 300 Accum. Index	6,040	3.0%	6.2%	3.7%	-4.8%
S&P/ASX 300 Accum. Industrials Index	9,252	3.6%	6.0%	3.2%	-7.0%
S&P/ASX 300 Accum. Resources Index	4,583	0.9%	7.1%	5.4%g	4.6%
ASX Small Caps Accum. Index	2,820	7.2%	6.6%	8.7%	2.1%
<b>International Equities</b>					
 MSCI World ex-Aus Index (\$A)	3,803	3.5%	2.9%	4.1%	6.7%
MSCI World ex-Aus Index (Hedged \$A)	3,211	6.7%	14.7%	11.8%	15.9%
MSCI Emerging Markets Index (\$A)	1,075	-0.9%	7.3%	3.7%	4.3%
MSCI World ex-Aus Small Cap Index (\$A)	454	2.3%	0.8%	2.0%	-2.6%
US (S&P 500 Index in USD)*	3,500	7.0%	15.0%	12.9%	19.6%
US Tech (NASDAQ Index in USD)*	11,775	9.6%	24.1%	17.1%	47.9%
United Kingdom (FTSE 100 Index in GBP)*	5,964	1.1%	-1.9%	-3.3%	-17.3%
Japan (Nikkei 225 Index in JPY)*	23,140	6.6%	5.8%	3.8%	11.8%
Europe (Stoxx 50 Index in EUR)*	3,273	3.1%	7.3%	1.2%	-4.5%
China (Shanghai Composite Index in CNY)*	3,396	2.6%	19.0%	13.8%	17.7%
<b>AUD versus ...</b>					
 USD	0.74	2.0%	10.4%	7.2%	9.5%
JPY	77.66	3.2%	8.9%	5.0%	8.7%
GBP	0.55	0.3%	2.2%	-1.3%	0.0%
EUR	0.62	1.8%	3.0%	1.1%	1.6%
<b>Real Assets</b>					
 ASX 300 Listed Property Trusts Accum. Index	1,306	7.9%	7.3%	8.6%	-17.2%
FTSE EPRA / NAREIT Dev. Index (Hedged \$A)	1,460	2.0%	5.5%	3.3%	-17.4%
MSCI Australia Infrastructure	1,162	-2.6%	-5.3%	-4.3%	-8.5%
FTSE Global Core Infra 50/50 Index (Hedged \$A)	2,137	-0.2%	-1.2%	1.3%	-7.5%
<b>Oil and Commodities</b>					
 Crude Oil (US\$/bbl)	42.6	7.1%	26.4%	8.5%	-22.7%
Copper Spot (US\$/tonne)	6,698	4.3%	25.1%	11.5%	18.4%
Gold Spot (US\$/ounce)	1,968	-0.4%	13.7%	10.3%	28.7%
<b>Australian Fixed Interest</b>					
 Bloomberg AusBond Composite Index	10,596	-0.4%	0.3%	-0.1%	1.6%
Bloomberg AusBond Government Index	11,079	-0.8%	-0.4%	-0.5%	0.7%
Bloomberg AusBond Corporate Index	10,903	0.1%	1.8%	1.0%	2.9%
Bloomberg AusBond Bank Bill Index	9,018	0.0%	0.0%	0.0%	0.7%
<b>Global Fixed Interest</b>					
 FTSE WGBI ex-Aus (Hedged \$A)	2,625	-1.0%	0.2%	-0.1%	2.4%
Barclay's Global Agg. Bond Index (Hedged \$A)	1,100	-0.7%	0.8%	0.3%	2.5%
<b>Fixed Income (yields) as at ...</b>					
 Australia Bank Bill	0.09	0.09	0.09	0.09	1.05
Australia 10-Year Government Bond	0.98	0.83	0.90	0.88	0.89
US 10-Year Government Bond	0.69	0.54	0.64	0.65	1.51
UK 10-Year Government Bond	0.31	0.11	0.18	0.17	0.48
Germany 10-Year Government Bond	-0.40	-0.53	-0.45	-0.46	-0.71
Japan 10-Year Government Bond	0.05	0.02	0.01	0.03	-0.27

Source: Refinitiv Datastream

\*Price Index

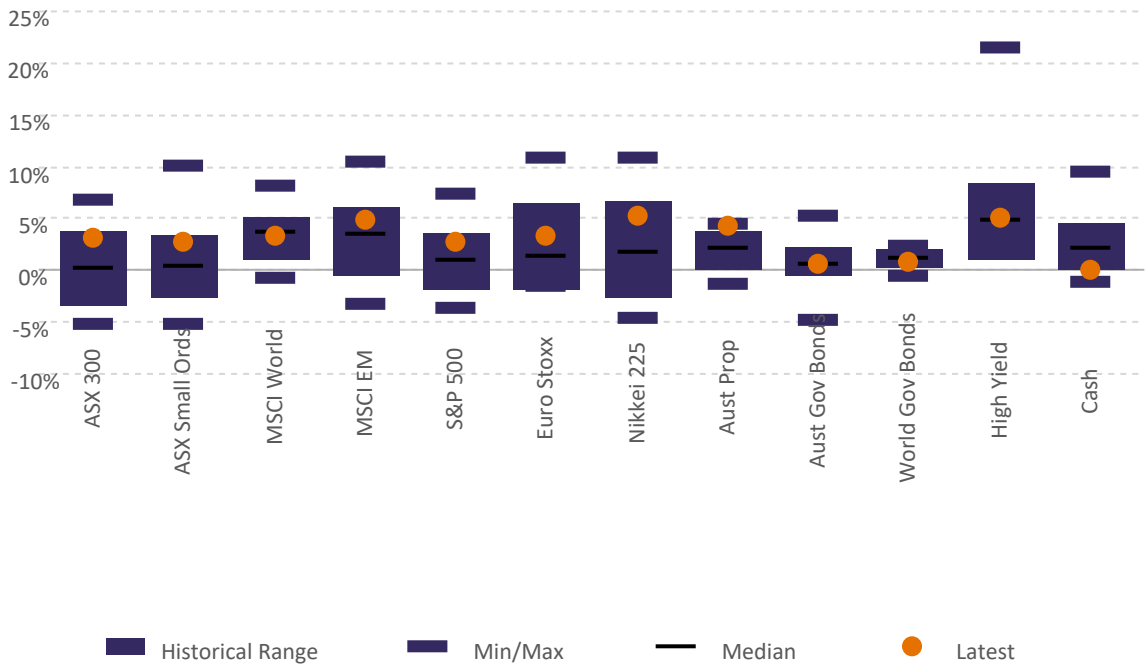
# Asset Class Yields Relative to History

Current Yields (equities earnings)



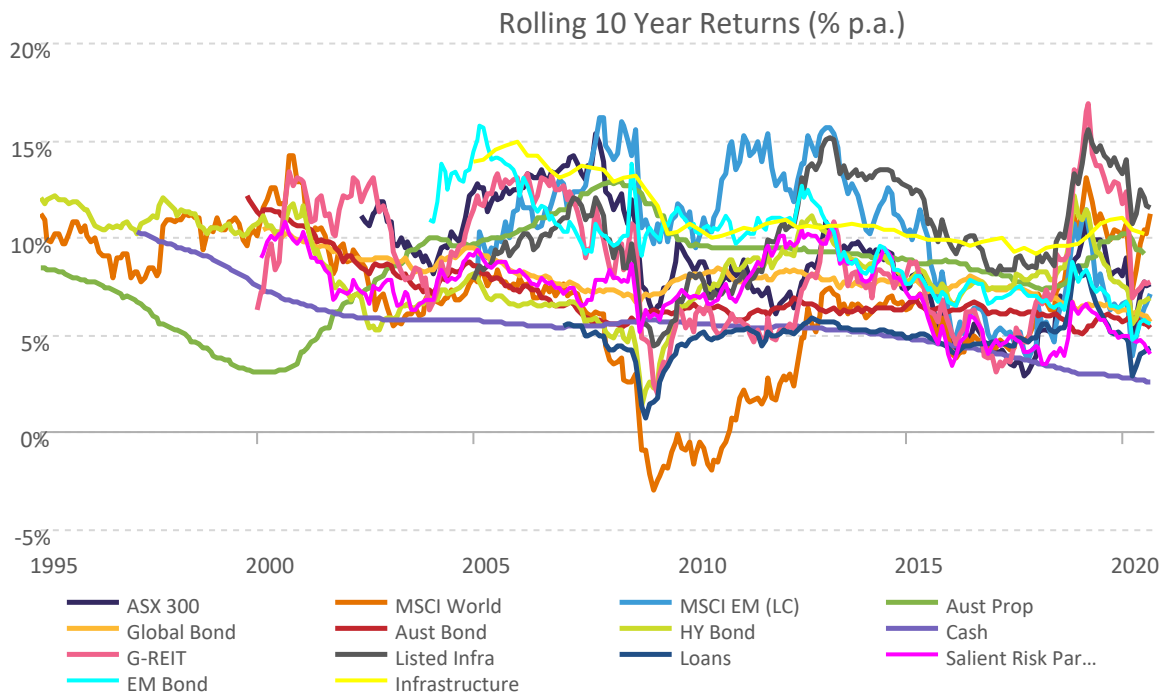
Source: Refinitiv Datastream

Relative Yields (vs bond or cash yield)



Source: Refinitiv Datastream

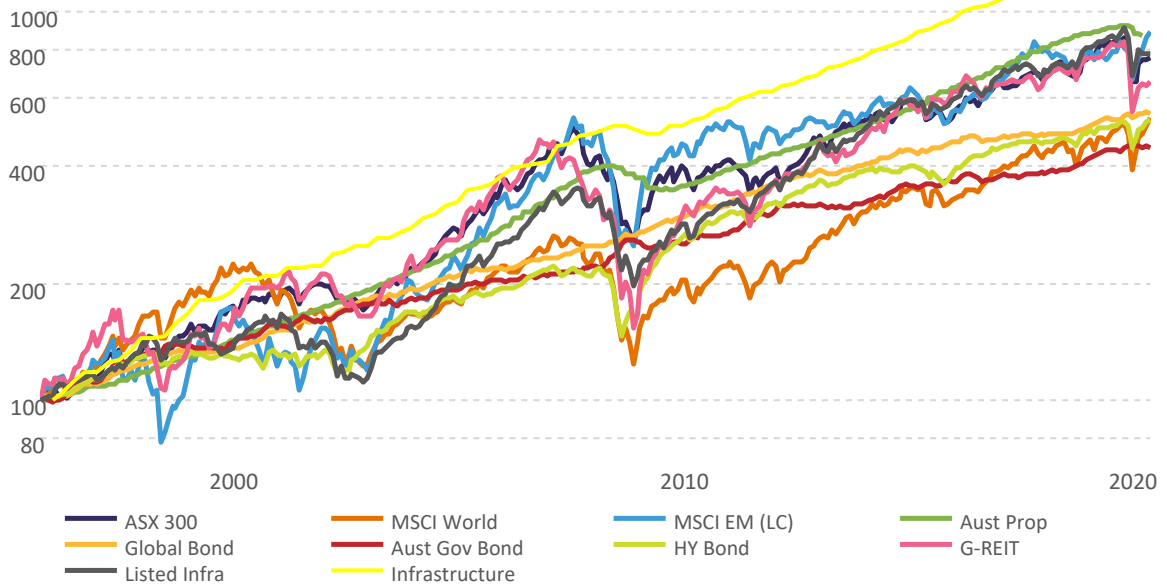
# Asset Class Long-Term Returns



Source: Refinitiv Datastream

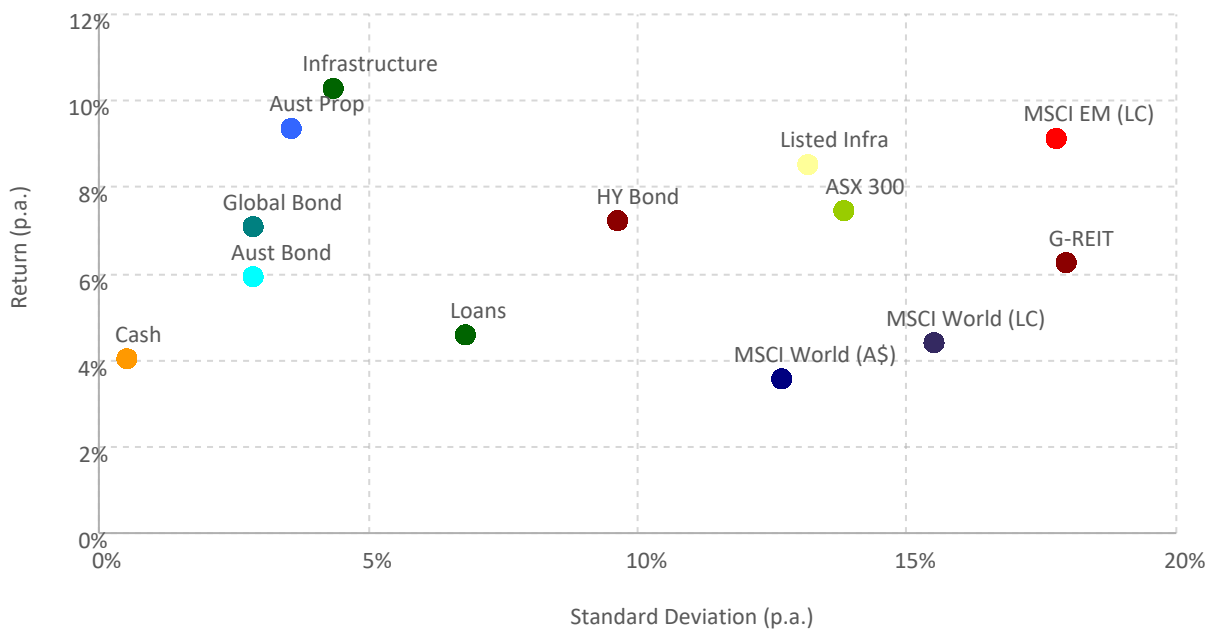
# Asset Class Long-Term Returns

Cumulative Values since 1/01/1996 (\$100 reinvested)



Source: Refinitiv Datastream

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



Source: Refinitiv Datastream

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