

# Monthly Market Snapshot

JANUARY 2020

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

**FRONTIER**  
ADVISORS



# Market Commentary

International equity markets produced a small negative return in the first month of 2020 amid early news of the coronavirus outbreak. The US equity market was virtually flat for the month. The signing of the Phase One trade deal between US-China was positive for sentiment, while conflict between the US and Iran had little impact on markets. Economic conditions in the US remain broadly positive – the service side of the economy was resilient and consumption growth was steady although manufacturing remained weak as the December release of the Institute of Supply Management's (ISM) manufacturing survey showed ongoing contraction. The UK equity market underperformed in January, after outperforming in December. The Brexit withdrawal agreement was agreed by the UK and the EU at the end of January.

The Australian equity market was an exception, producing a very strong return over the month, although it did retrace somewhat late in January due to concerns about the spread of coronavirus. The strong return was also despite the local bushfire crisis.

European economic growth remained subdued but there was improvement in the manufacturing sector and trade. There was also some modest improvement in Japan's industrial production, as well as ongoing fixed asset investment leading into the 2020 Tokyo Olympics.

China's economic activity showed some signs of responding to accommodative monetary and fiscal policy, but the coronavirus outbreak will be a drag on economic growth.

Globally, central banks maintained a dovish stance on monetary policy. The US Federal Reserve, the European Central Bank, Bank of Japan, Bank of England, and Reserve Bank of Australia all held rates unchanged in the month, but indicated that monetary policy remained accommodative to support economic conditions. The People's Bank of China cut reserve repo rates and injected liquidity to support the economy.

Bond markets rebounded to deliver positive returns in January supported by dovish monetary policy and rising concerns about coronavirus weighing on the global economic growth outlook.

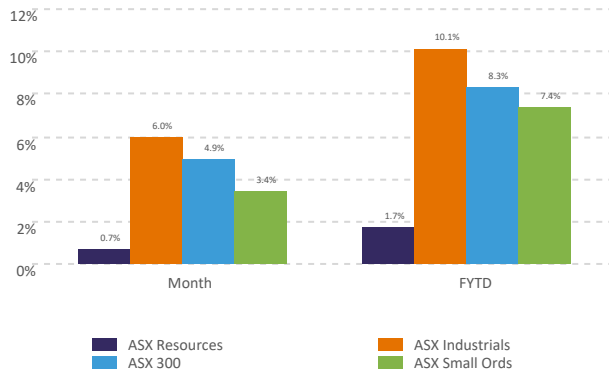
The downside risk arising from coronavirus also put downward pressure on commodities and the oil price, which contributed to the Australian dollar depreciating sharply against major currencies in January. The risk aversion in the market saw a rise in the gold price.

Listed property and infrastructure benefited from the reduction in bond yields, producing positive returns in the month.

# January 2020



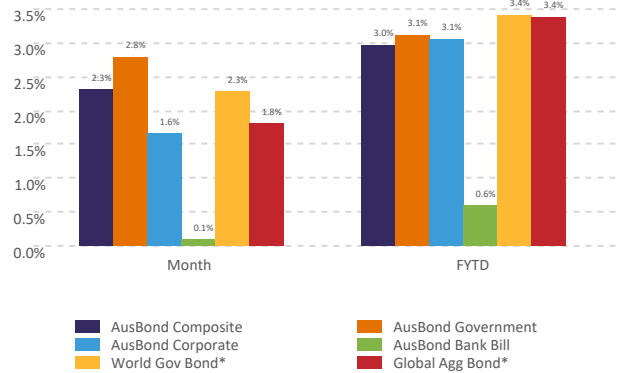
## Australian Equities



Source: Refinitiv Datastream



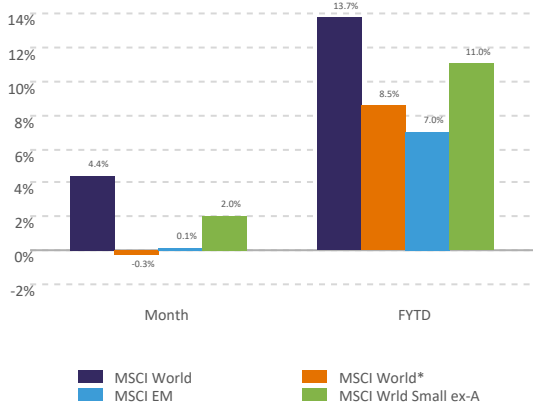
## Fixed Income



Source: Refinitiv Datastream \*Hedged AS



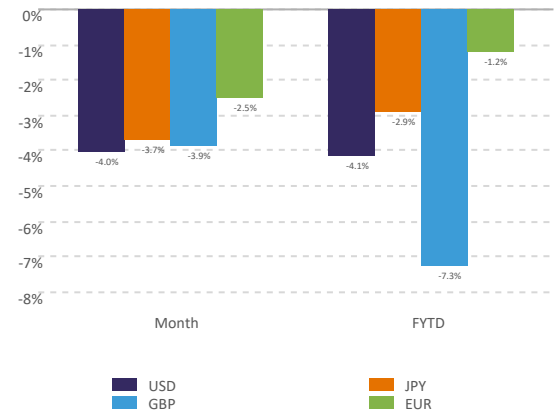
## International Equities (\$A)



Source: Refinitiv Datastream \*Hedged AS



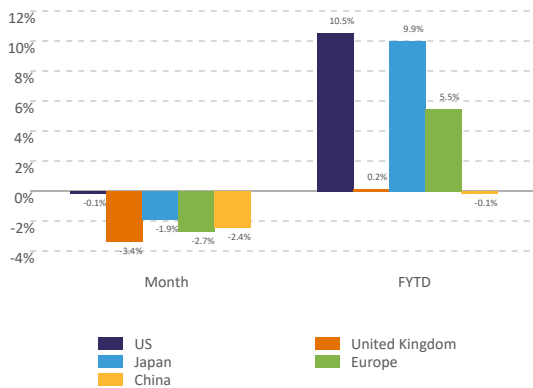
## Australian Dollar



Source: Refinitiv Datastream



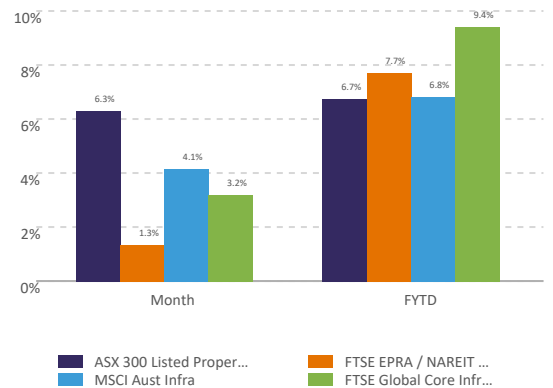
## International Equities



Source: Refinitiv Datastream











## Property



Source: Refinitiv Datastream \*Hedged AS

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

# January 2020

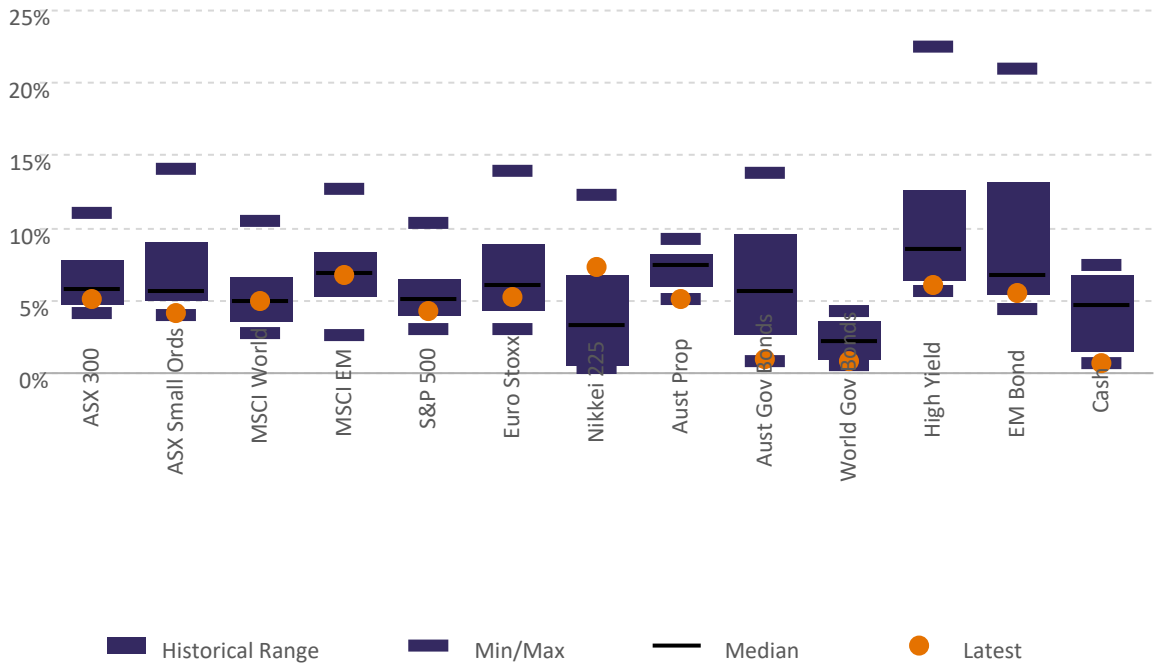
	Index value	Month	3 months	FYTD	1 year
<b>Australian Equities</b>					
 S&P/ASX 300 Accum. Index	75,161	4.9%	6.0%	8.3%	25.0%
S&P/ASX 300 Accum. Industrials Index	149,709	6.0%	5.8%	10.1%	27.3%
S&P/ASX 300 Accum. Resources Index	43,769	0.7%	7.1%	1.7%	16.4%
ASX Small Caps Accum. Index	8,911	3.4%	4.7%	7.4%	18.8%
<b>International Equities</b>					
 MSCI World ex-Aus Index (\$A)*	11,568	4.3%	8.3%	13.9%	28.3%
MSCI World ex-Aus Index (Hedged \$A)*	1,913	-0.4%	5.1%	8.5%	17.9%
MSCI Emerging Markets Index (\$A)*	751	0.1%	5.3%	7.0%	13.1%
MSCI World ex-Aus Small Cap Index (\$A)	650	2.0%	6.6%	10.2%	19.3%
US (S&P 500 Index in USD)	3,226	-0.2%	6.2%	9.6%	19.3%
United Kingdom (FTSE 100 Index in GBP)	7,286	-3.4%	0.5%	-1.9%	4.6%
Japan (Nikkei 225 Index in JPY)	23,205	-1.9%	1.2%	9.1%	11.7%
Europe (Stoxx 50 Index in EUR)	3,641	-2.8%	1.0%	4.8%	15.2%
China (Shanghai Composite Index in CNY)	2,977	-2.4%	1.6%	-0.1%	15.2%
<b>AUD versus ...</b>					
 USD	0.67	-4.7%	-3.0%	-4.7%	-8.0%
JPY	73.35	-3.7%	-2.5%	-2.9%	-7.3%
GBP	0.51	-3.9%	-4.2%	-7.3%	-7.3%
EUR	0.61	-2.5%	-1.7%	-1.2%	-3.5%
<b>Property</b>					
 ASX 300 Listed Property Trusts Accum. Index	61,654	6.3%	4.1%	6.7%	19.9%
FTSE EPRA / NAREIT Dev. Index (Hedged \$A)*	3,007	1.3%	0.1%	7.7%	11.6%
<b>Oil and Commodities</b>					
 Crude Oil (\$/bbl)	52	-15.6%	-4.8%	-11.8%	-4.1%
Copper Spot (\$/tonne)	5,551	-9.7%	-3.8%	-7.2%	-9.8%
Gold Spot (\$/ounce)	1,588	3.8%	4.0%	10.7%	16.6%
<b>Australian Fixed Interest</b>					
 Bloomberg AusBond Composite Index	10,479	2.3%	1.5%	3.0%	9.1%
Bloomberg AusBond Government Index	11,020	2.8%	1.5%	3.1%	10.1%
Bloomberg AusBond Corporate Index	10,720	1.6%	1.5%	3.1%	8.3%
Bloomberg AusBond Bank Bill Index	8,994	0.1%	0.2%	0.6%	1.4%
<b>Global Fixed Interest</b>					
 FTSE WGBI ex-Aus (Hedged \$A)	2,553	2.3%	1.1%	3.4%	8.2%
Barclay's Global Agg. Bond Index (Hedged \$A)		1.8%	1.3%	3.4%	8.1%
<b>Fixed Income (yields) as at ...</b>					
 Australia Bank Bill	0.88	0.91	0.94	1.21	2.06
Australia 10-Year Government Bond	0.95	1.37	1.14	1.32	2.24
US 10-Year Government Bond	1.51	1.92	1.69	2.01	2.63
UK 10-Year Government Bond	0.52	0.82	0.63	0.83	1.22
Germany 10-Year Government Bond	-0.43	-0.19	-0.41	-0.33	0.15
Japan 10-Year Government Bond	-0.07	-0.01	-0.13	-0.16	0.01

Source: Bloomberg

\*Net dividends reinvested

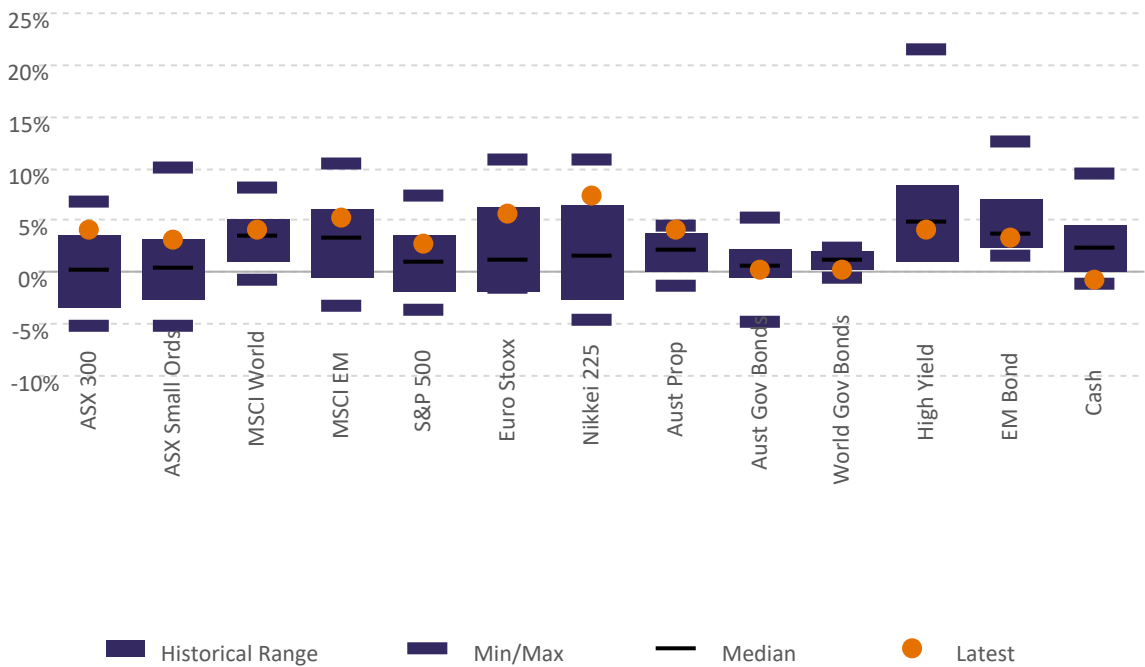
# Asset Class Yields Relative to History

Current Yields (equities earnings)



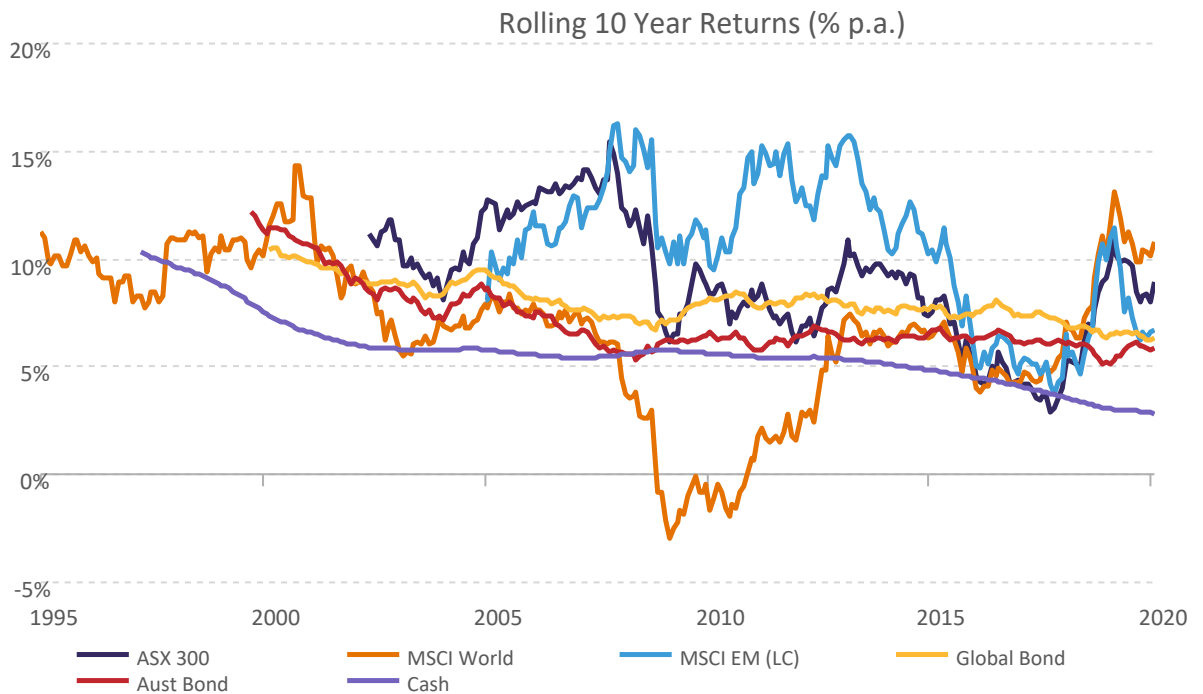
Source: Refinitiv Datastream

Relative Yields (vs bond or cash yield)

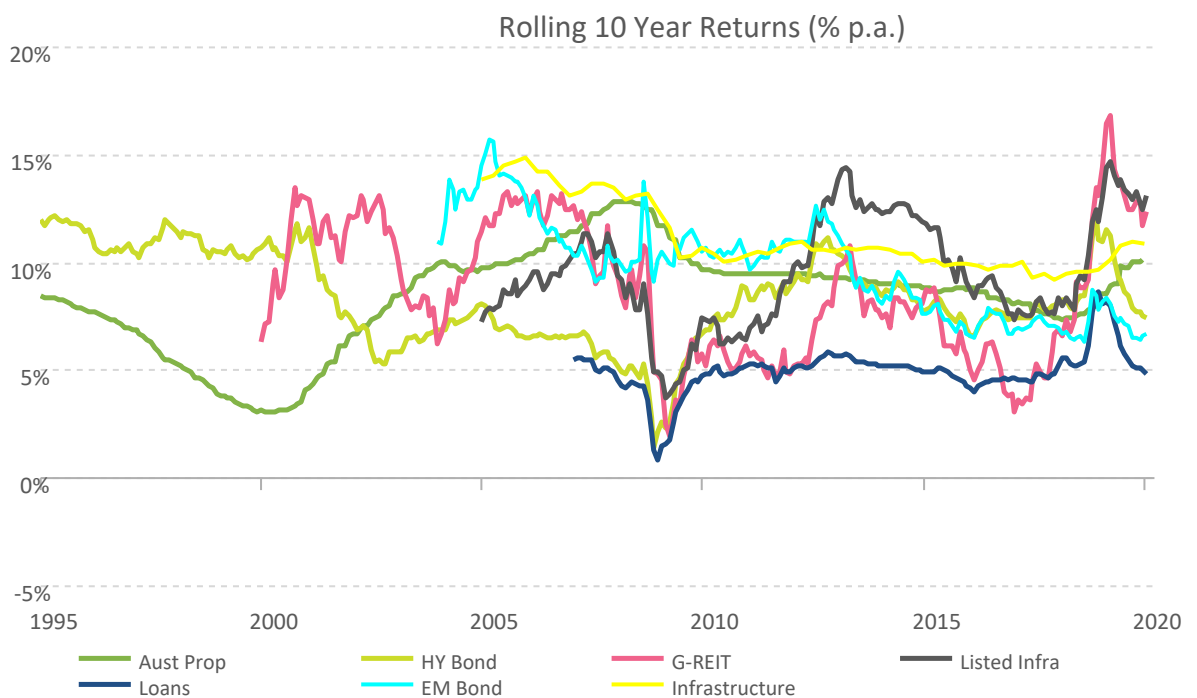


Source: Refinitiv Datastream

# Asset Class Long-Term Returns



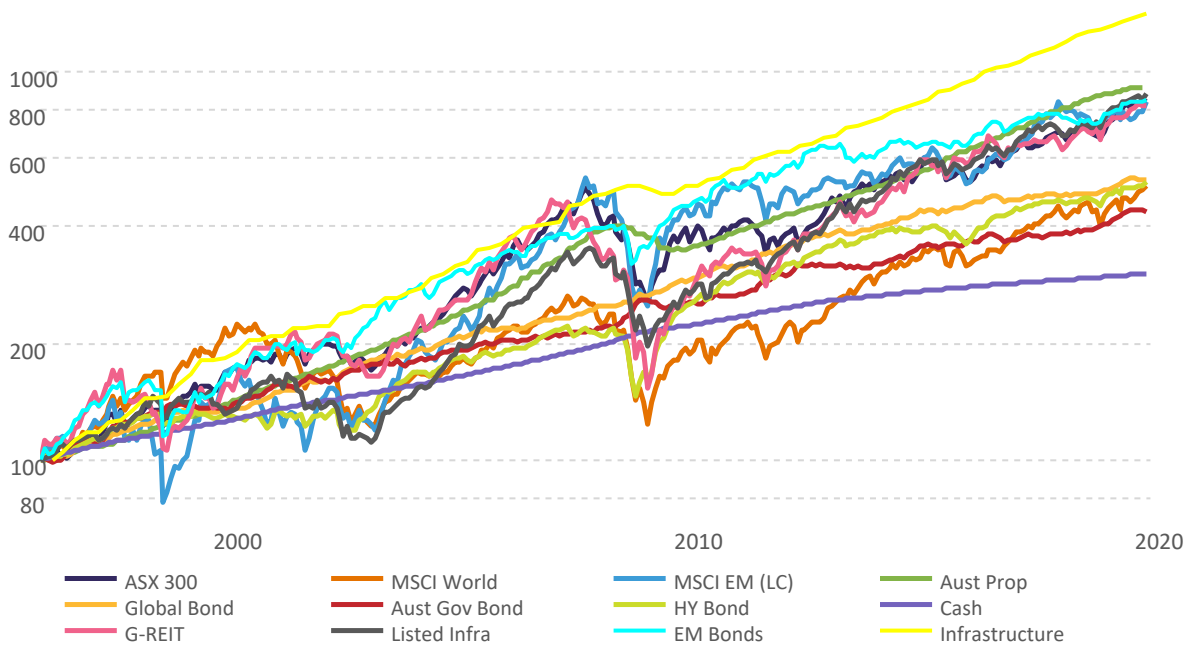
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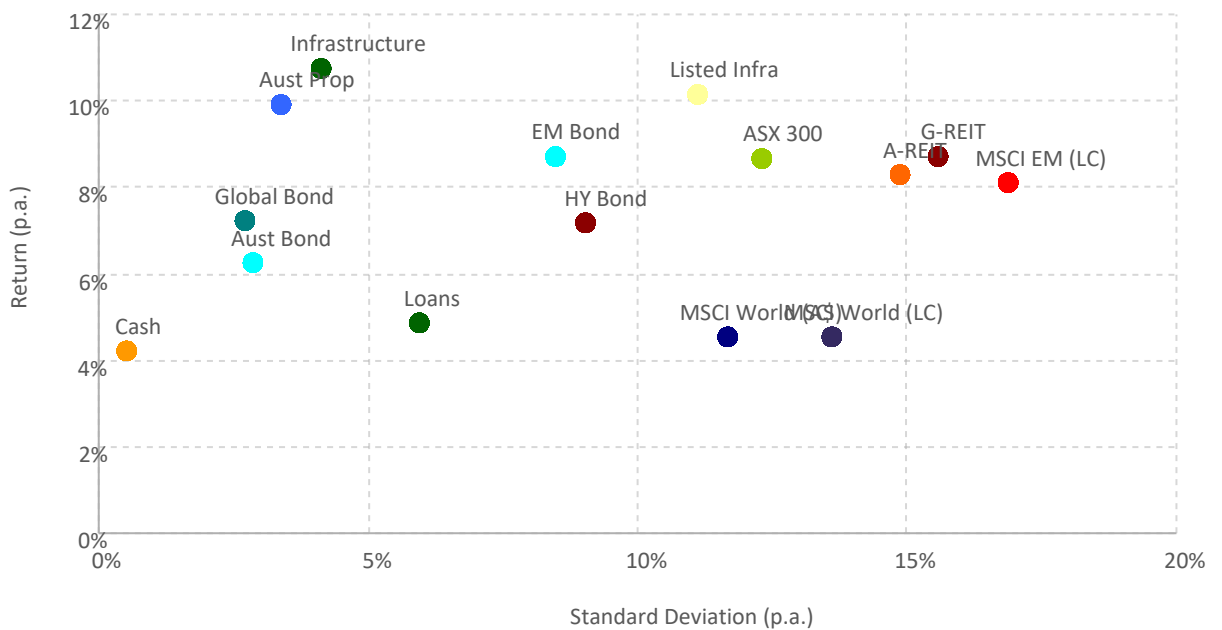
# Asset Class Long-Term Returns

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



Source: Refinitiv Datastream

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



Source: Refinitiv Datastream

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