

Monthly Market Snapshot

JUNE 2018

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

FRONTIER
ADVISORS



Market Commentary

The world was watching as President Trump and North Korea's leader Kim Jong-un met for the first time on 12th June 2018, at the historic summit held in Singapore. US/China trade war escalations sparked volatility in equity markets in late June, leaving global equities relatively flat over the month. Global bond yields have decreased marginally due to the risk-off sentiment.

The Trump administration approved 25% tariffs on \$50 billion worth of Chinese goods, with the first tranche of tariffs coming into effect on 6th July 2018. In prompt response, China announced a proportional retaliation, imposing 25% tariffs on \$50 billion worth of US imports, the first round of tariffs also to be implemented on 6th July 2018.

Within the US, the Federal Open Market Committee (FOMC) lifted the federal funds rate from 1.75% to 2.0% at the recent June meeting. This is a result of sustained economic expansion, strong labour market conditions and inflation moving towards the committee's target rate of 2%.

China's economy continues to slow as their deleveraging campaign has reduced the amount of liquidity available. However, Chinese policymakers recently decided to cut banks' Required Reserve Ratio (RRR) by 0.5%, effective 5th July 2018, essentially injecting more cash into the financial system to support lending to small enterprises.

In Europe, the European Central Bank (ECB) has made a decision to scale down its quantitative easing purchases by 50% in Q4 and conclude its Asset Purchasing Program (APP) by the end of December 2018. It has also been mentioned that ECB interest rates will likely remain unchanged through the summer of 2019.

Within Australia, the RBA suggested that the board would continue to hold its neutral policy stance, keeping the rate at 1.5%, as inflationary pressures are still modest and wage growth remains subdued.

Looking back over the financial year, the global economy has improved considerably. Business and consumer confidence are at high levels and unemployment rates globally have steadily declined.

As a result, central bank policies are slowly shifting. After years of ultra-accommodative monetary policies (low interest rates and quantitative easing), this is gradually changing as we see the FOMC increase interest rates and also signalling two more rate hikes for the rest of the year. For the first time since the early 2000s, US cash rates are now above Australia (currently still at 1.5%).

Oil advanced over 61% during the last financial year. The Australian dollar depreciated against the US dollar, Euro and Sterling by -3.7%, -5.7% and -4.7% respectively. The US dollar has also showed strength against most currencies.

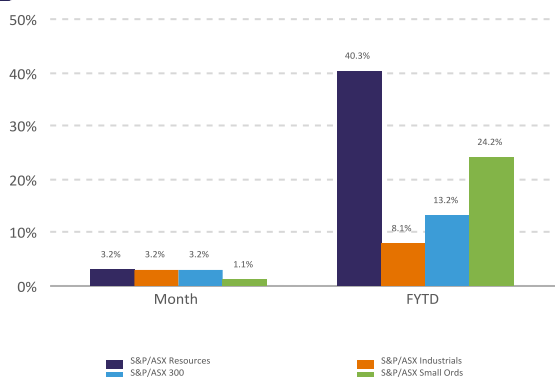
Although low inflation remains a global phenomenon, it has increased over the year and inflationary pressures appear to be building, particularly in the US with the fiscal boost and low unemployment rate.

Geopolitical risks remain heightened. President Trump, North Korea, Iran, Saudi Arabia, Italy and Brexit continue to be in the headlines. Trade tensions continue to weigh on equity markets. However, fundamentals remain strong.

JUNE 2018



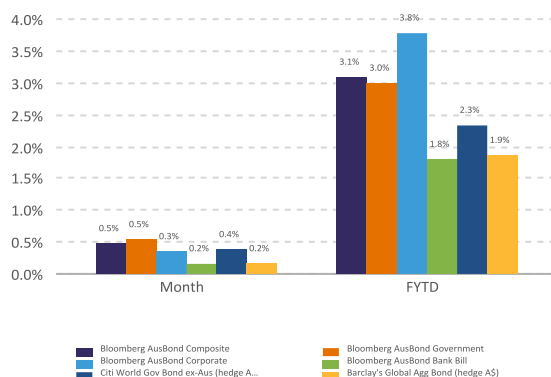
Australian equities



Source: Thomson Reuters Datastream



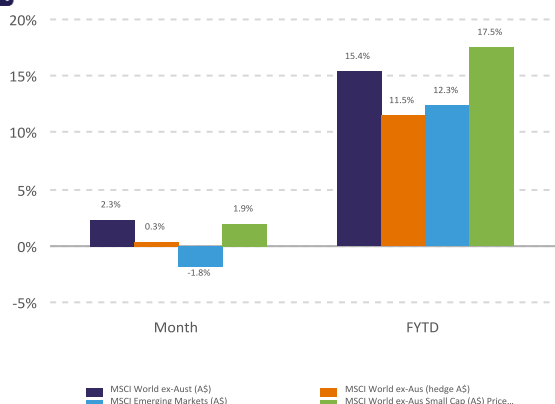
Fixed income



Source: Thomson Reuters Datastream



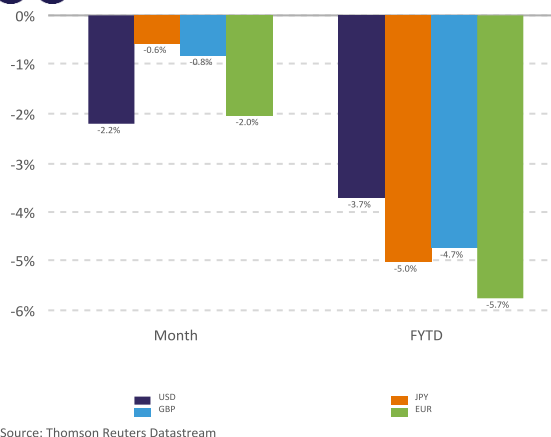
International Equities (\$A)



Source: Thomson Reuters Datastream



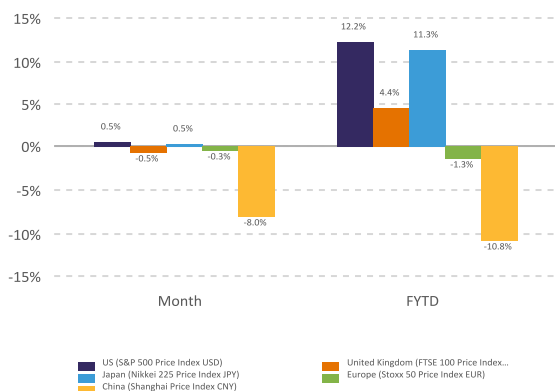
Australian dollar



Source: Thomson Reuters Datastream



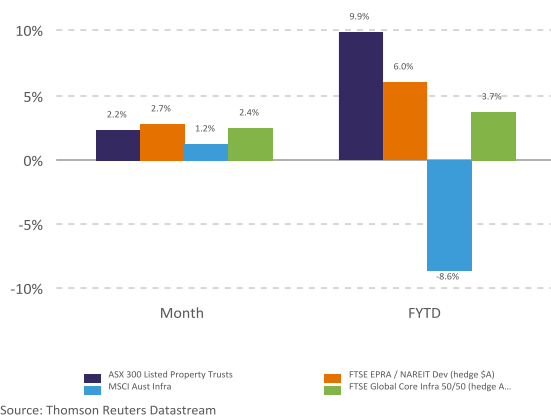
International Equities



Source: Thomson Reuters DatastreamAll Price Indices











Property



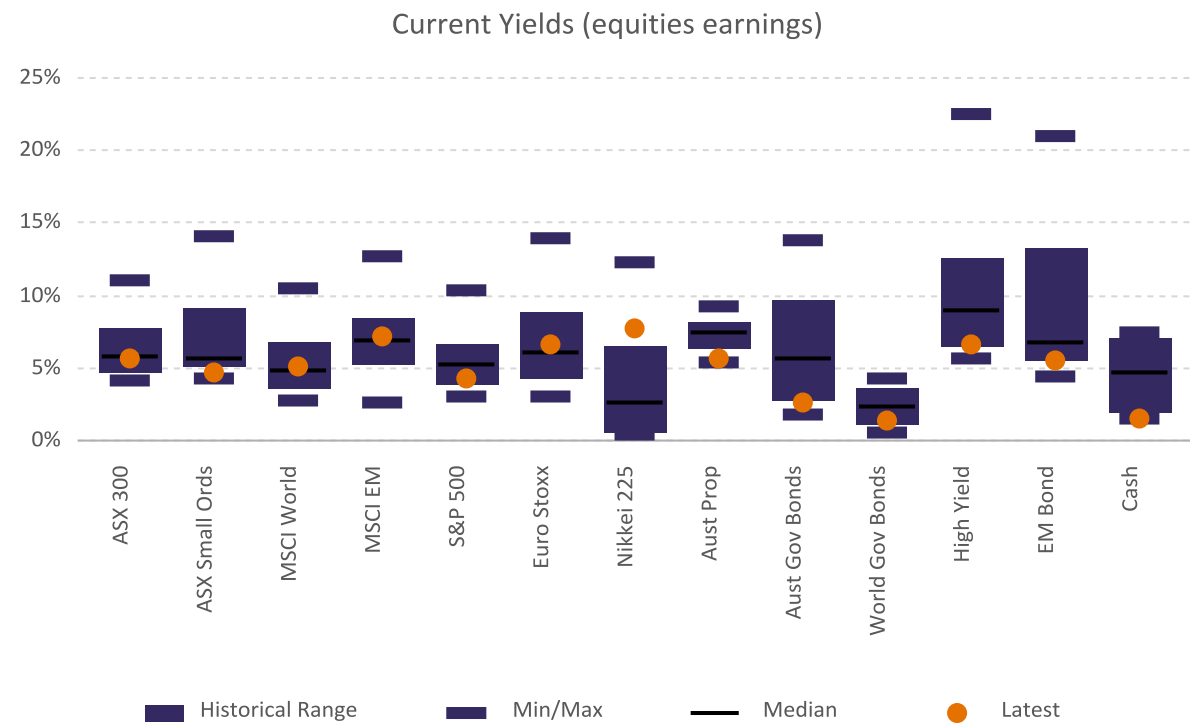
Source: Thomson Reuters Datastream

JUNE 2018

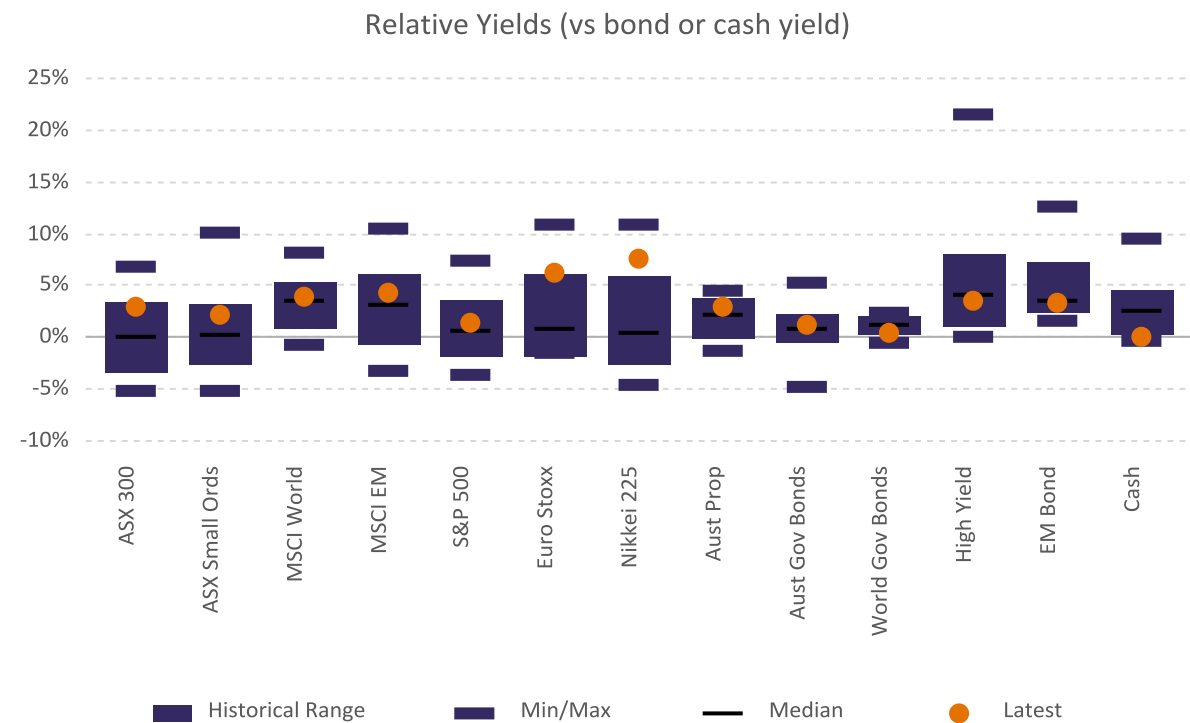
	Index value	Month	3 months	FYTD	1 year
 Australian equities					
S&P/ASX 300 Accum. Index	62,275	3.2%	8.4%	13.2%	13.2%
S&P/ASX 300 Accum. Industrials Index	123,047	3.2%	6.6%	8.1%	8.1%
S&P/ASX 300 Accum. Resources Index	27,213	3.2%	16.0%	40.3%	40.3%
ASX Small Caps Accum. Index	8,141	1.1%	7.7%	24.2%	24.2%
 International equities					
MSCI World ex-Aus Index (\$A)*	9,076	2.3%	5.5%	15.4%	15.4%
MSCI World ex-Aus Index (Hedged \$A)*	1,660	0.3%	3.6%	11.5%	11.5%
MSCI Emerging Markets Index (\$A)*	659	-1.8%	-4.4%	12.3%	12.3%
MSCI World ex-Aus Small Cap Index (\$A)	586	1.9%	6.7%	17.5%	17.5%
US (S&P 500 Index in USD)	2,718	0.5%	2.9%	12.2%	12.2%
United Kingdom (FTSE 100 Index in GBP)	7,637	-0.5%	8.2%	4.4%	4.4%
Japan (Nikkei 225 Index in JPY)	22,305	0.5%	4.0%	11.3%	11.3%
Europe (Stoxx 50 Index in EUR)	3,396	-0.3%	1.0%	-1.3%	-1.3%
China (Shanghai Composite Index in CNY)	2,847	-8.0%	-10.1%	-10.8%	-10.8%
 AUD versus ...					
USD	0.74	-2.2%	-3.6%	-3.7%	-3.7%
JPY	81.82	-0.6%	0.3%	-5.0%	-5.0%
GBP	0.56	-0.8%	3.5%	-4.7%	-4.7%
EUR	0.63	-2.0%	2.0%	-5.7%	-5.7%
 Property					
ASX 300 Listed Property Trusts Accum. Index	48,392	2.3%	9.8%	13.2%	13.2%
FTSE EPRA / NAREIT Dev. Index (Hedged \$A)*	2,592	2.0%	7.3%	6.4%	6.4%
 Oil and Commodities					
Crude Oil (\$/bbl)	74	10.6%	14.2%	61.1%	61.1%
Copper Spot (\$/tonne)	6,625	-3.2%	-0.8%	11.8%	11.8%
Gold Spot (\$/ounce)	1,255	-3.8%	-5.9%	-0.7%	-0.7%
 Australian Fixed Interest					
Bloomberg AusBond Composite Index	9,287	0.5%	0.8%	3.1%	3.1%
Bloomberg AusBond Government Index	9,630	0.5%	0.8%	3.0%	3.0%
Bloomberg AusBond Corporate Index	9,625	0.3%	0.7%	3.8%	3.8%
Bloomberg AusBond Bank Bill Index	8,767	0.2%	0.5%	1.8%	1.8%
 Global Fixed Interest					
Citi Group WGBI ex-Aus (Hedged \$A)	2,301	0.4%	0.2%	2.3%	2.3%
Barclay's Global Agg. Bond Index (Hedged \$A)	-	0.2%	0.1%	1.9%	1.9%
 Fixed income (yields) as at ...					
	30-Jun-18	31-May-18	31-Mar-18	30-Jun-17	30-Jun-17
Australia Bank Bill	2.10	1.98	2.02	1.71	1.71
Australia 10 Year Government Bond	2.63	2.67	2.60	2.60	2.60
US 10 Year Government Bond	2.86	2.86	2.74	2.30	2.30
UK 10 Year Government Bond	1.28	1.23	1.35	1.26	1.26
Germany 10 Year Government Bond	0.30	0.34	0.50	0.47	0.47
Japan 10 Year Government Bond	0.04	0.04	0.05	0.09	0.09

* Net dividends reinvested

Asset Class Yields Relative to History

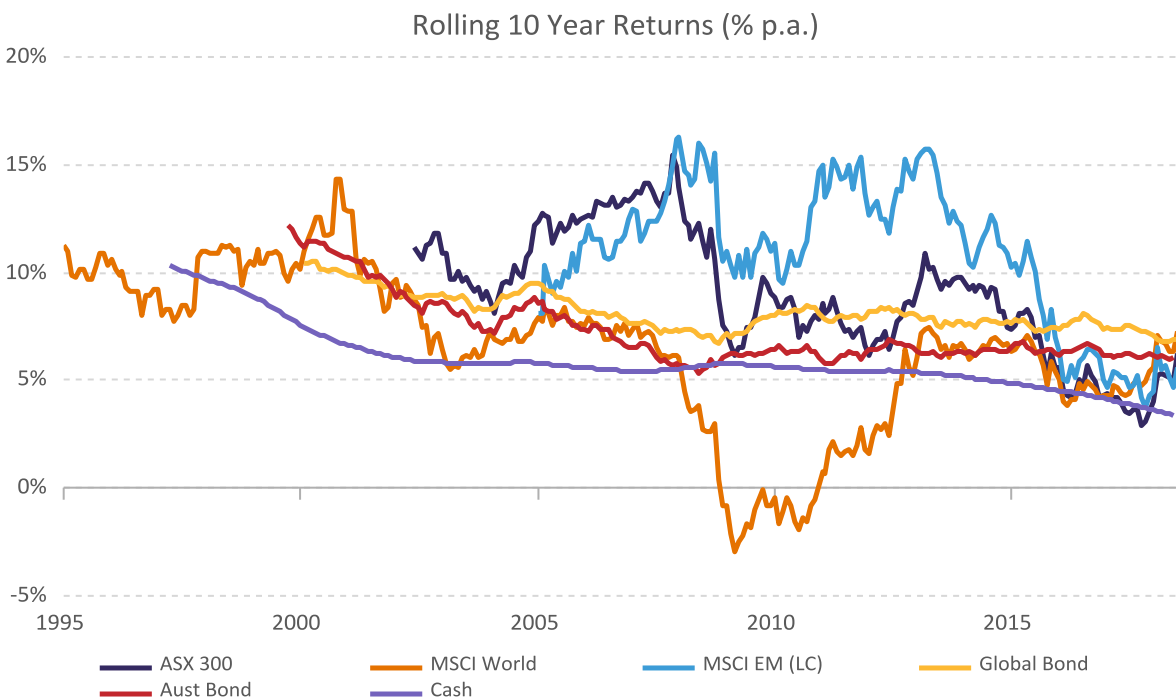


Source: Thomson Reuters Datastream

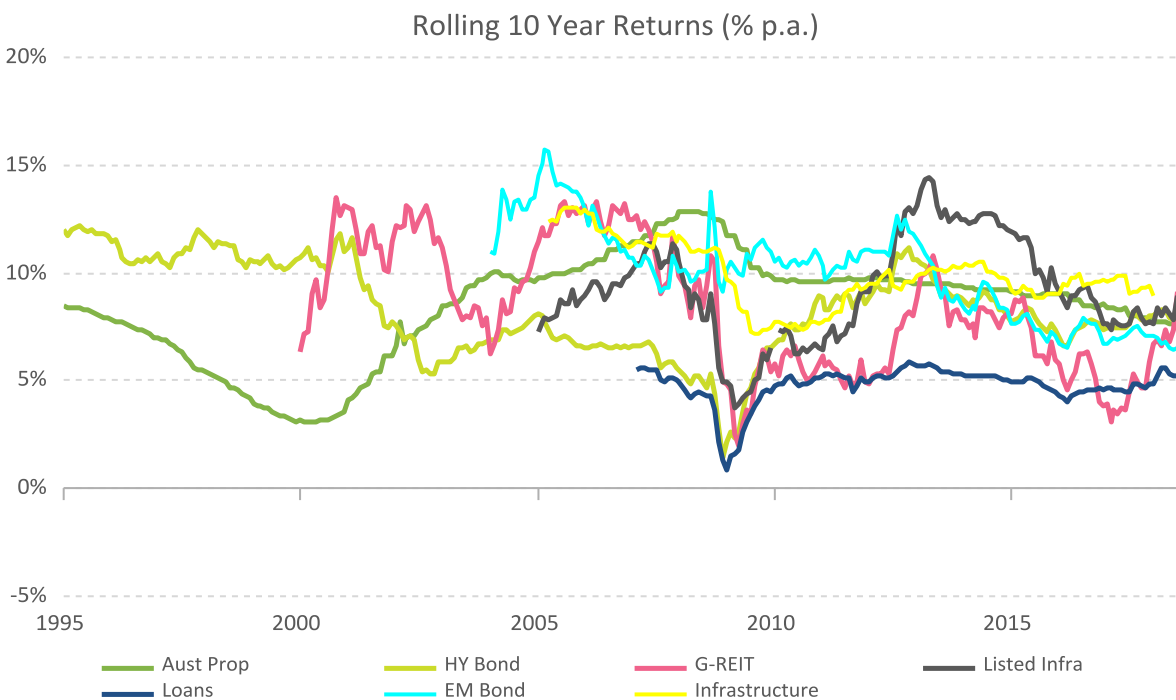


Source: Thomson Reuters Datastream

Asset Class Long-Term Returns

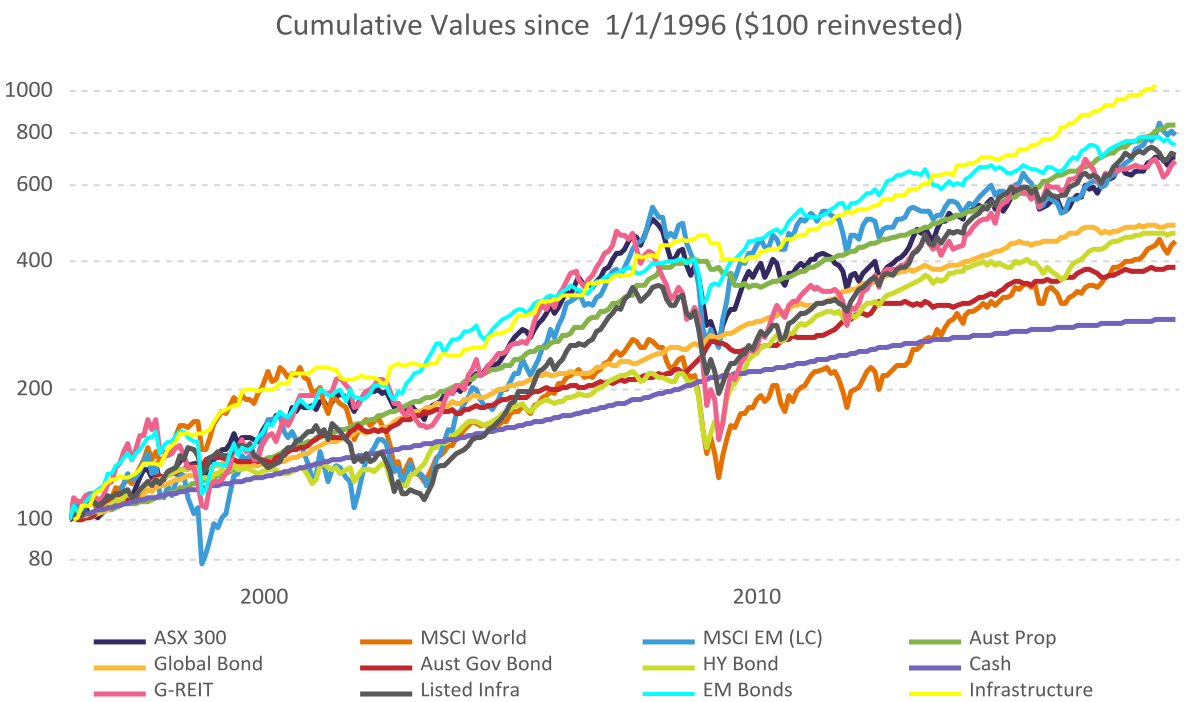


Source: Thomson Reuters Datastream

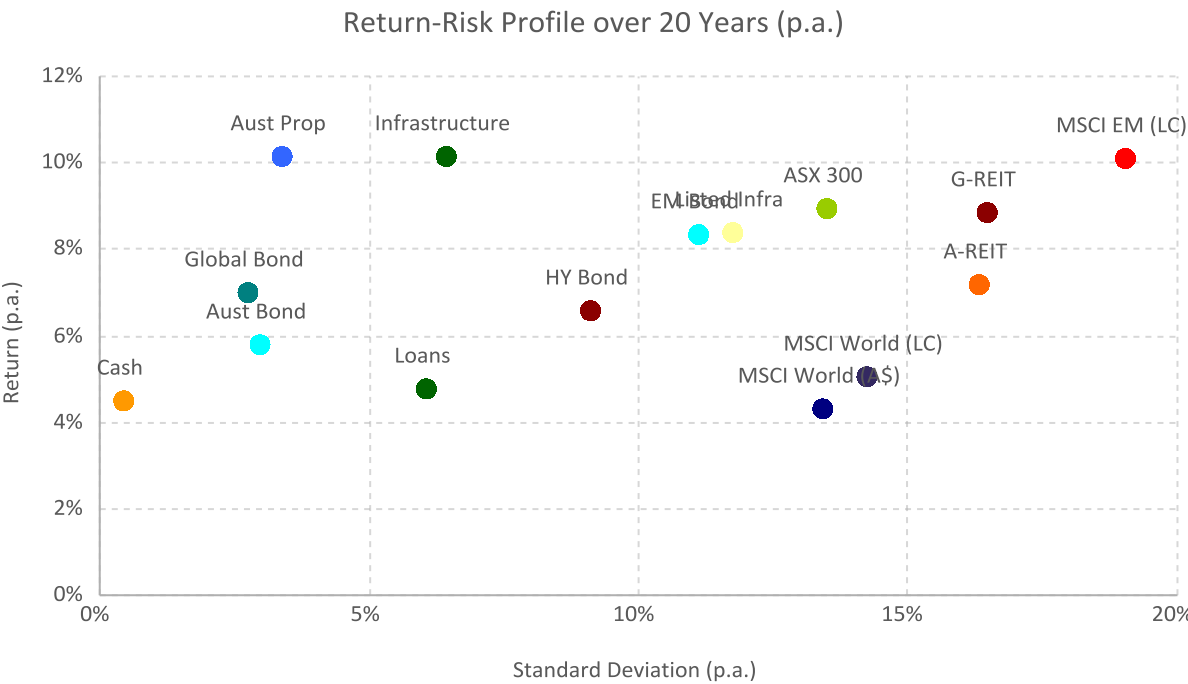


Source: Thomson Reuters Datastream

Asset Class Long-Term Returns



Source: Thomson Reuters Datastream



Source: Thomson Reuters Datastream

Frontier Advisors

Level 16, 222 Exhibition Street

Melbourne, Victoria 3000

Tel: +61 3 8648 4300

www.frontieradvisors.com.au

[@frontier_adv](#)

Frontier does not warrant the accuracy of any information or projections in this paper and does not undertake to publish any new information that may become available. While this information is believed to be reliable, no responsibility for errors or omissions is accepted by Frontier or any director or employee of the company.

The advice in this paper does not take into account investors' particular objectives, financial situation or needs. Investors should consider the appropriateness of the contents of this paper in light of these matters and seek individual advice prior to taking action on any of the issues raised in this paper or making any investment decisions. Investors should obtain and read the applicable Product Disclosure or Information Statement before making a decision on acquiring any financial products. Frontier Advisors Pty Ltd does not provide taxation advice and investors should seek their own independent taxation advice from a registered tax agent.

ACN 074 287 406 AFS Licence No. 241266

© Frontier Advisors

FRONTIER
ADVISORS

