

Monthly Market Snapshot

MAY 2019

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

FRONTIER
ADVISORS



Market Commentary

The month of May saw slowing global economic growth and international trade remaining weak. The US outlook has softened with PMIs falling; new orders down and investment slowing. However, there are some tentative signs that slowing economic conditions in Europe may have abated.

Equities have produced very strong returns in 2019, but these gains were tempered in May in response to ongoing trade concerns. Australian equities have been a standout performer, in part due to a further depreciation in the Australian dollar and a rise in the iron ore price. However, the rise in iron ore prices appears to be supply side driven (e.g. Brazil supply issues) rather than representing a strong increase in demand from China.

Trade wars are having a negative impact on markets and uncertainty is rising. With the initial rounds of US tariffs in place for some time, there is growing evidence that the costs of the tariffs have fallen mostly on US businesses and households, with no clear reduction in the prices charged by Chinese exporters. These findings suggest that the tariffs will put upward pressure on US inflation in the near term.

Domestically, the unemployment rate rose to 5.2% in April 2019. Full-time employment fell marginally while part-time employment increased. The underemployment rate — measuring those people who have a job but would like to work more hours as a percentage of the workforce — jumped 0.3 percentage points to 8.5% in seasonally adjusted terms.

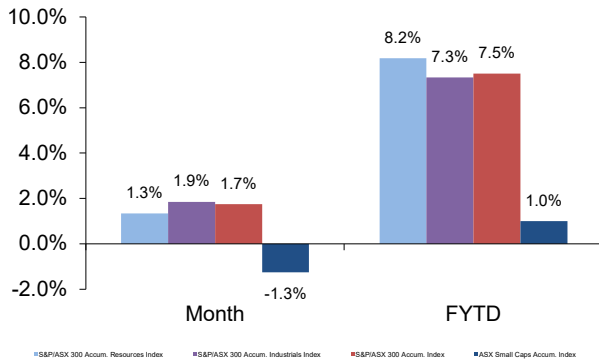
These indicators suggest there continues to be a level of labour market slack in the Australian economy.

Relatedly, with inflation in Australia remaining muted, after the month-end the RBA cut the cash rate by 0.25% to a historically low level of 1.25%. The RBA rate cut was already priced into the markets.

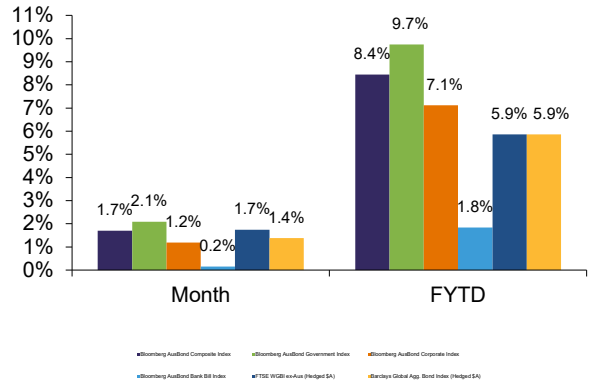
May 2019



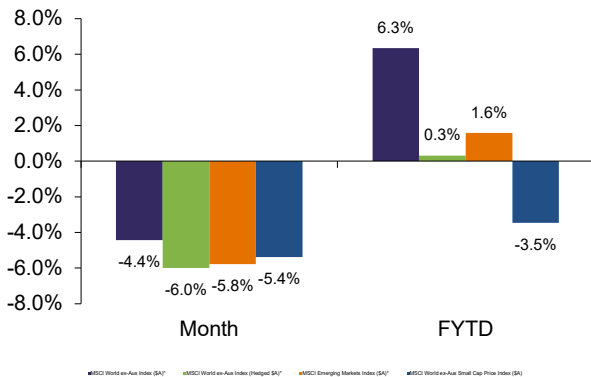
Australian Equities



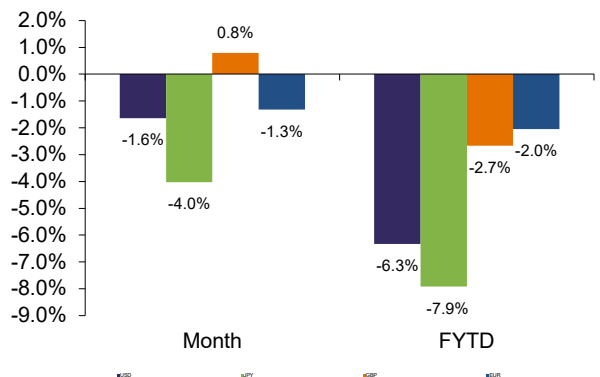
Fixed Income



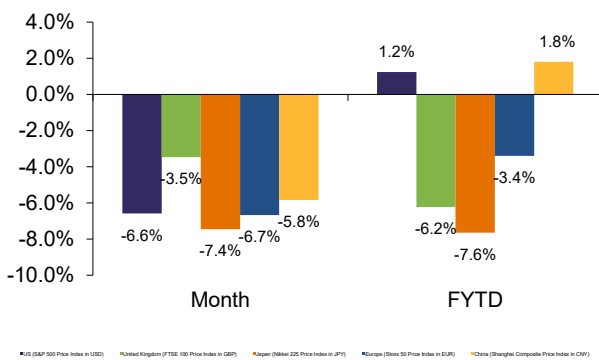
International Equities (\$A)



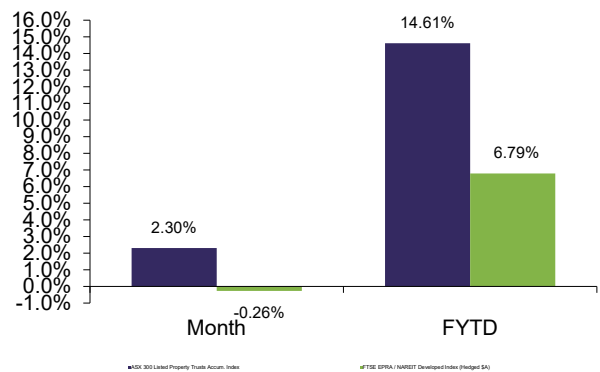
Australian Dollar



International Equities











Property



Source: Bloomberg

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

May 2019

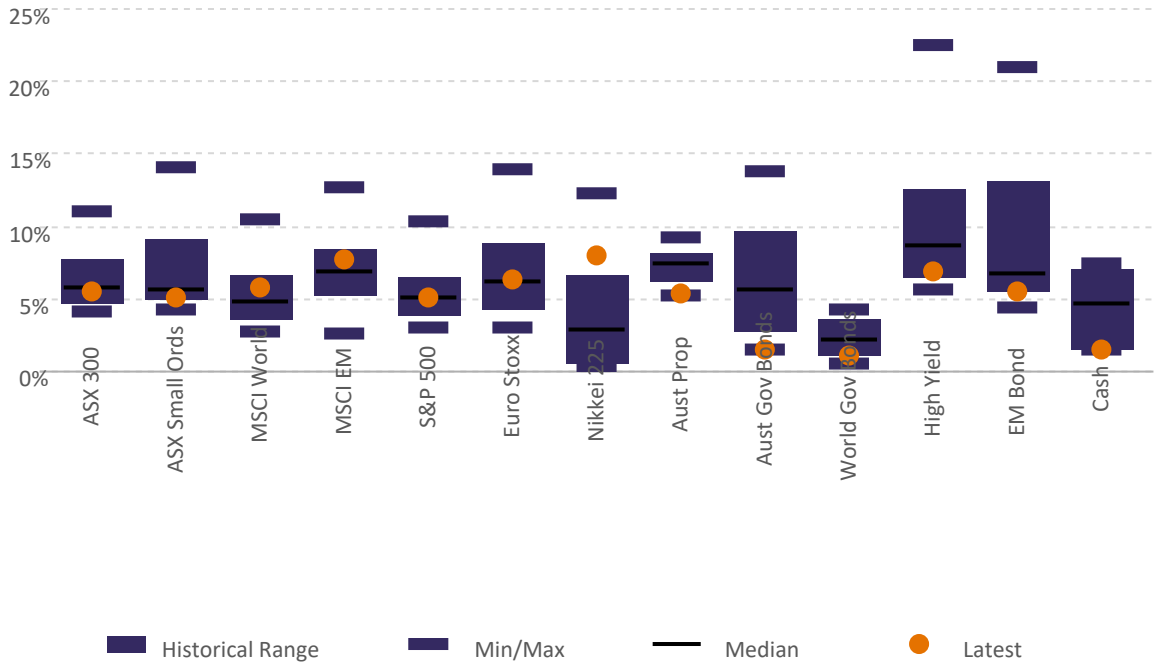
	Index value	Month	3 months	FYTD	1 year
Australian Equities					
 S&P/ASX 300 Accum. Index	66,945	1.7%	5.0%	7.5%	10.9%
S&P/ASX 300 Accum. Industrials Index	132,076	1.9%	6.1%	7.3%	10.8%
S&P/ASX 300 Accum. Resources Index	29,441	1.3%	0.8%	8.2%	11.6%
ASX Small Caps Accum. Index	8,222	-1.3%	2.7%	1.0%	2.1%
International Equities					
 MSCI World ex-Aus Index (\$A)*	9,652	-4.4%	1.4%	6.3%	8.8%
MSCI World ex-Aus Index (Hedged \$A)*	1,665	-6.0%	-0.7%	0.3%	0.6%
MSCI Emerging Markets Index (\$A)*	669	-5.8%	-1.9%	1.6%	-0.3%
MSCI World ex-Aus Small Cap Index (\$A)	565	-5.4%	-2.4%	-3.5%	-1.6%
US (S&P 500 Index in USD)	2,752	-6.6%	-1.2%	1.2%	1.7%
United Kingdom (FTSE 100 Index in GBP)	7,162	-3.5%	1.2%	-6.2%	-6.7%
Japan (Nikkei 225 Index in JPY)	20,601	-7.4%	-3.7%	-7.6%	-7.2%
Europe (Stoxx 50 Index in EUR)	3,280	-6.7%	-0.5%	-3.4%	-3.7%
China (Shanghai Composite Index in CNY)	2,899	-5.8%	-1.4%	1.8%	-6.4%
AUD versus ...					
 USD	0.69	-1.6%	-2.2%	-6.3%	-8.4%
JPY	75.34	-4.0%	-4.9%	-7.9%	-8.4%
GBP	0.55	0.8%	2.1%	-2.7%	-3.5%
EUR	0.62	-1.3%	-1.1%	-2.0%	-4.0%
Property					
 ASX 300 Listed Property Trusts Accum. Index	55,464	2.3%	6.0%	14.6%	17.2%
FTSE EPRA / NAREIT Dev. Index (Hedged \$A)*	2,768	-0.3%	2.4%	6.8%	9.0%
Oil and Commodities					
 Crude Oil (\$/bbl)	54	-16.3%	-6.5%	-27.8%	-20.2%
Copper Spot (\$/tonne)	5,806	-9.7%	-11.4%	-12.4%	-15.2%
Gold Spot (\$/ounce)	1,311	1.5%	-1.3%	1.6%	-2.4%
Australian Fixed Interest					
 Bloomberg AusBond Composite Index	10,071	1.7%	3.8%	8.4%	9.0%
Bloomberg AusBond Government Index	10,568	2.1%	4.5%	9.7%	10.3%
Bloomberg AusBond Corporate Index	10,310	1.2%	3.2%	7.1%	7.5%
Bloomberg AusBond Bank Bill Index	8,928	0.2%	0.5%	1.8%	2.0%
Global Fixed Interest					
 FTSE WGBI ex-Aus (Hedged \$A)	2,436	1.7%	3.4%	5.9%	6.2%
Barclay's Global Agg. Bond Index (Hedged \$A)	-	1.4%	3.1%	5.9%	6.0%
Fixed Income (yields) as at ...					
 Australia Bank Bill	31-May-19	30-Apr-19	28-Feb-19	30-Jun-18	31-May-18
Australia 10-Year Government Bond	1.42	1.56	1.87	2.10	1.98
US 10-Year Government Bond	1.46	1.79	2.10	2.63	2.67
UK 10-Year Government Bond	2.12	2.50	2.72	2.86	2.86
Germany 10-Year Government Bond	0.89	1.19	1.30	1.28	1.23
Japan 10-Year Government Bond	-0.20	0.01	0.18	0.30	0.34
	-0.09	-0.04	-0.02	0.04	0.04

Source: Bloomberg

*Net dividends reinvested

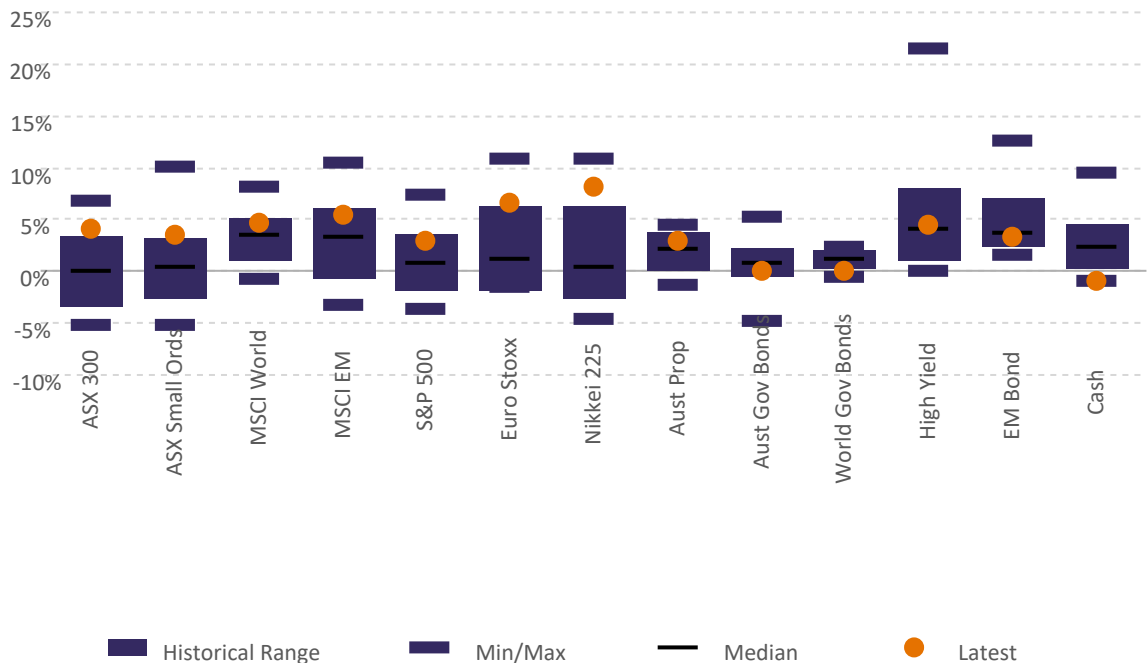
Asset Class Yields Relative to History

Current Yields (equities earnings)



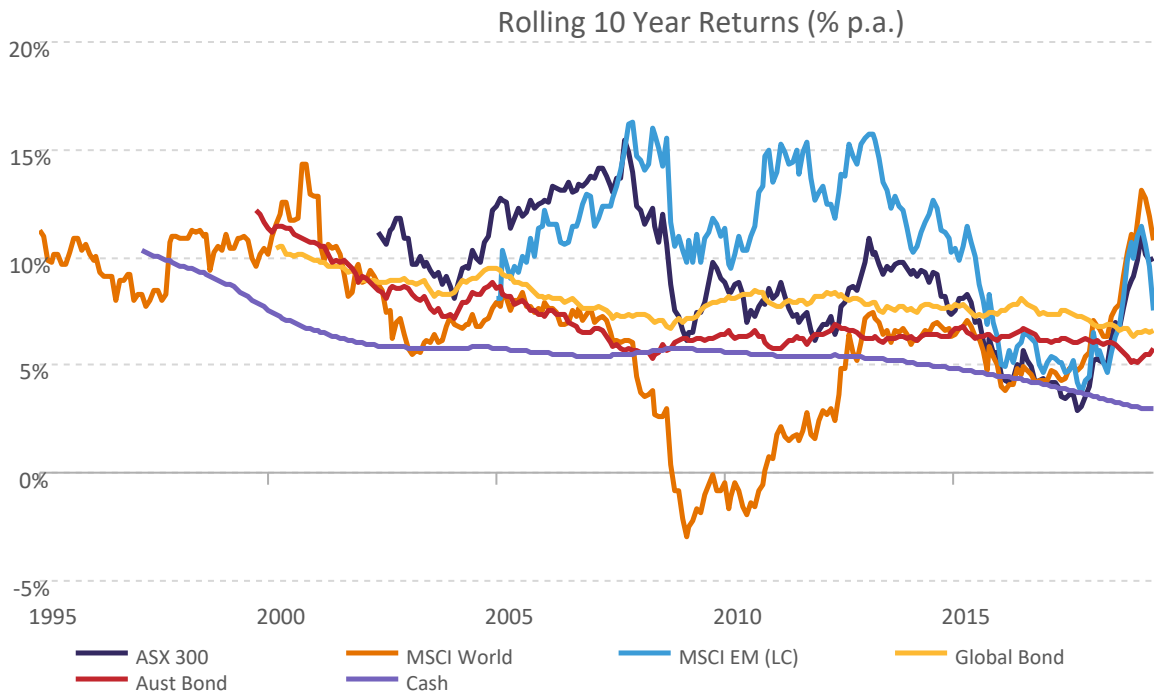
Source: Thomson Reuters Datastream

Relative Yields (vs bond or cash yield)

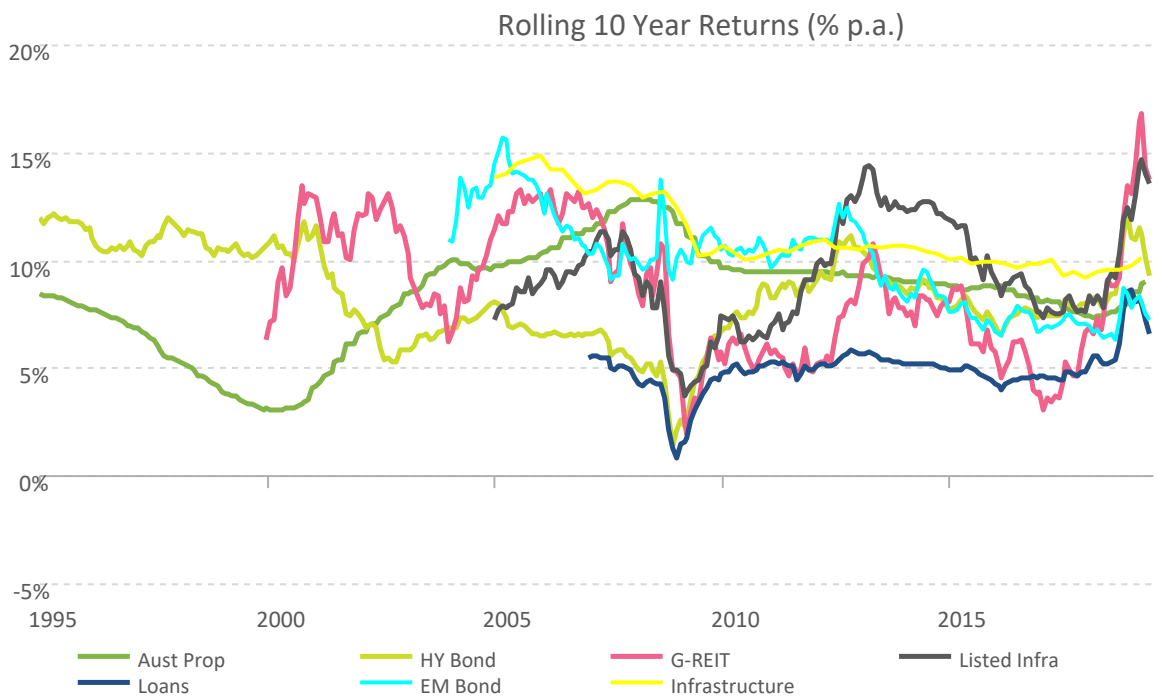


Source: Thomson Reuters Datastream

Asset Class Long-Term Returns



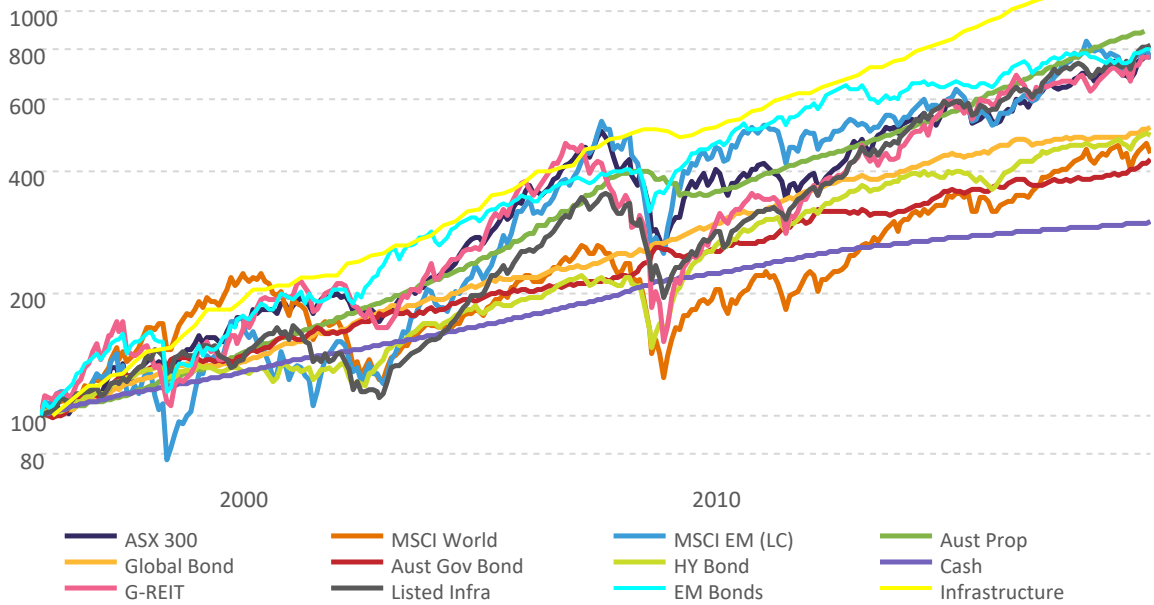
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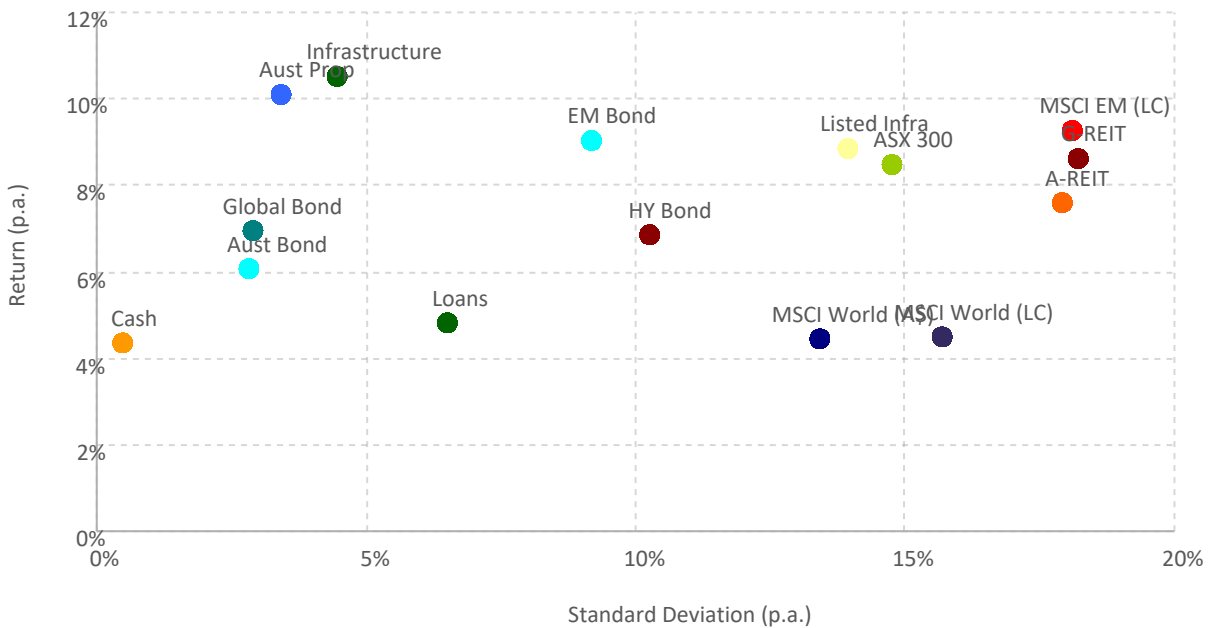
Asset Class Long-Term Returns

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



Source: Thomson Reuters Datastream

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



Source: Thomson Reuters Datastream

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