

# Monthly Market Snapshot

SEPTEMBER 2020

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

**FRONTIER**  
ADVISORS



# Market Commentary

The recovery of global equity markets showed signs of slowing in September, following a long period of steady gains since late March. A resurgence of COVID-19 cases across developed markets, the continued uncertainty around virus containment and a vaccine weighed on investor sentiment. In equities, emerging market and global small caps outperformed developed markets for the month.

The latest global services Purchasing Manager Index (PMI) data was reported at 51.9. Although this is below the 2019 average of 52.2, it is above the 50-threshold suggesting that services sector activity is improving though subdued. Improving daily seaborne shipping volumes over the month is also evidence of the continued recovery of global goods trade.

Although still accommodative, global monetary support has slowed. In the US, the Federal Reserve, announced a policy shift to average inflation targeting. Domestically, the Reserve Bank of Australia maintained its current policy settings but discussed the available options to ease further if needed. These options include purchasing longer-dated government bonds than the 3-year currently targeted; intervening in the foreign currency market to lower the Australian dollar; lowering the cash rate further without going negative; and adopting negative interest rates.

In the US, the upcoming presidential election, political deadlock on further economic stimulus and ongoing high rates of COVID-19 infections continue to drive economic uncertainty. For the S&P 500, all sectors recorded falls over the month with IT and Communication Services the worst performers. Consumer confidence indicators for September have increased but remain below pre-pandemic levels and housing market data showed signs of recovery.

The US labour market continues to improve with more jobs being added. As a result, the unemployment rate fell from 8.4% to 7.9%.

In Europe, COVID-19 cases continued to spike in several countries including France, Spain and the UK prompting some governments to reintroduce restrictions. Brexit negotiations have stalled due to the introduction of the Internal Market Bill which seeks to modify terms of trade between UK and Northern Ireland. European equity markets performed poorly over the month.

China's economy was able to bounce back above pre-COVID-19 levels in the second quarter allowing for a positive annual growth figure. This was driven by successfully mitigating the virus so far and a sharp rebound in production and infrastructure investment aided by policy. Notwithstanding that, Chinese equity markets performed poorly over the month.

Australia has begun to recover from its earlier contraction although the rate of recovery will be uneven due to Victoria's second-wave outbreak.

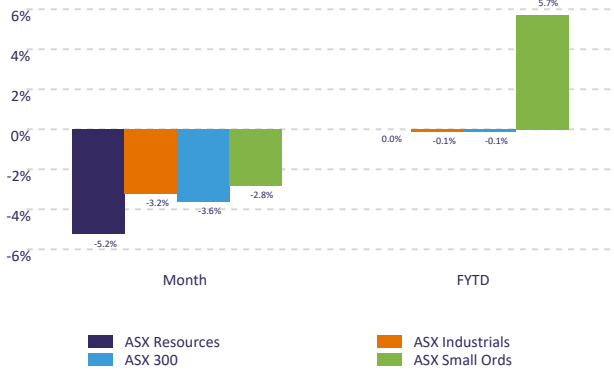
Government bonds performed strongly over the month as bonds yields fell. Corporate bonds did not perform as positively, likely influenced by the decline in the equity markets in September. The AUD depreciated in September against most major currencies with the exception of the volatile GBP due to the Brexit uncertainty. In commodities, iron ore prices are slightly lower but remains high compared to the start of the year. Increased Chinese demand to support their recovery and constrained supply in Brazil have led to the higher iron ore price.

Listed property performed negatively in September, although Australian listed property was slightly less negative than its global counterpart. Global listed infrastructure was slightly negative over the month while Australian listed infrastructure was slightly positive.

# Sep 2020



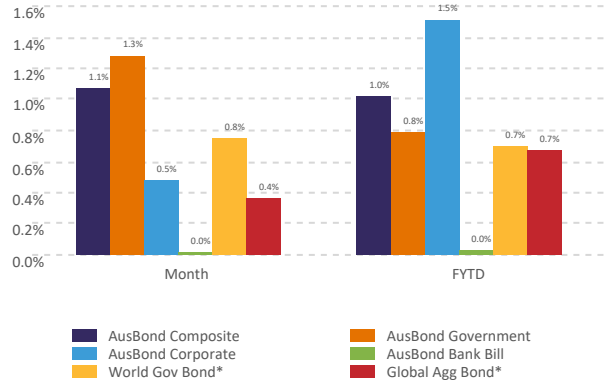
## Australian Equities



Source: Refinitiv Datastream



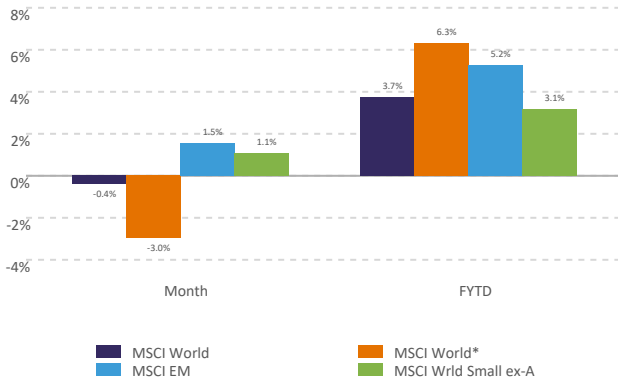
## Fixed Income



Source: Refinitiv Datastream \*Hedged A\$



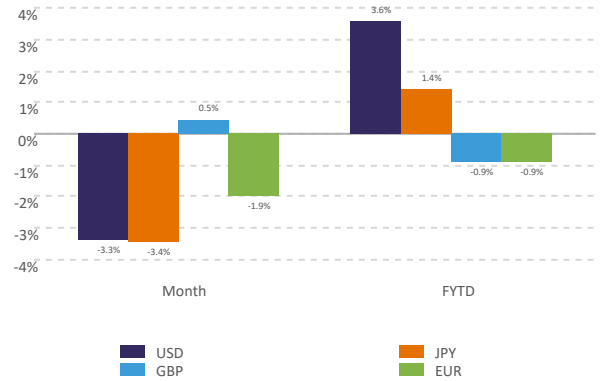
## International Equities (\$A)



Source: Refinitiv Datastream \*Hedged A\$



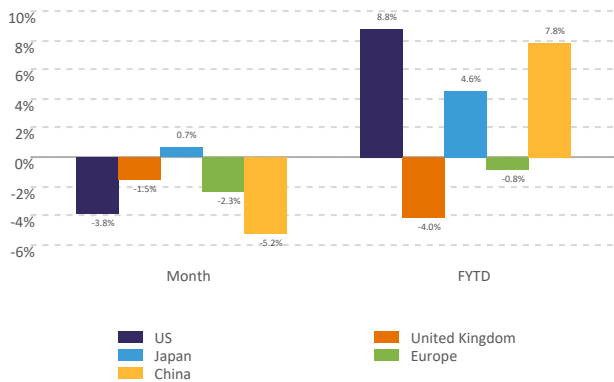
## Australian Dollar



Source: Refinitiv Datastream



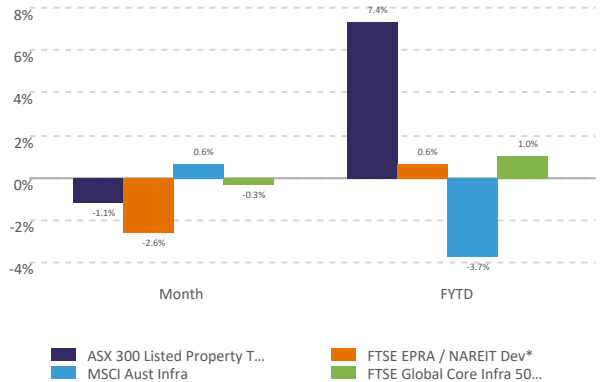
## International Equities



Source: Refinitiv Datastream











## Real Assets



Source: Refinitiv Datastream \*Hedged A\$

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

# Sep 2020

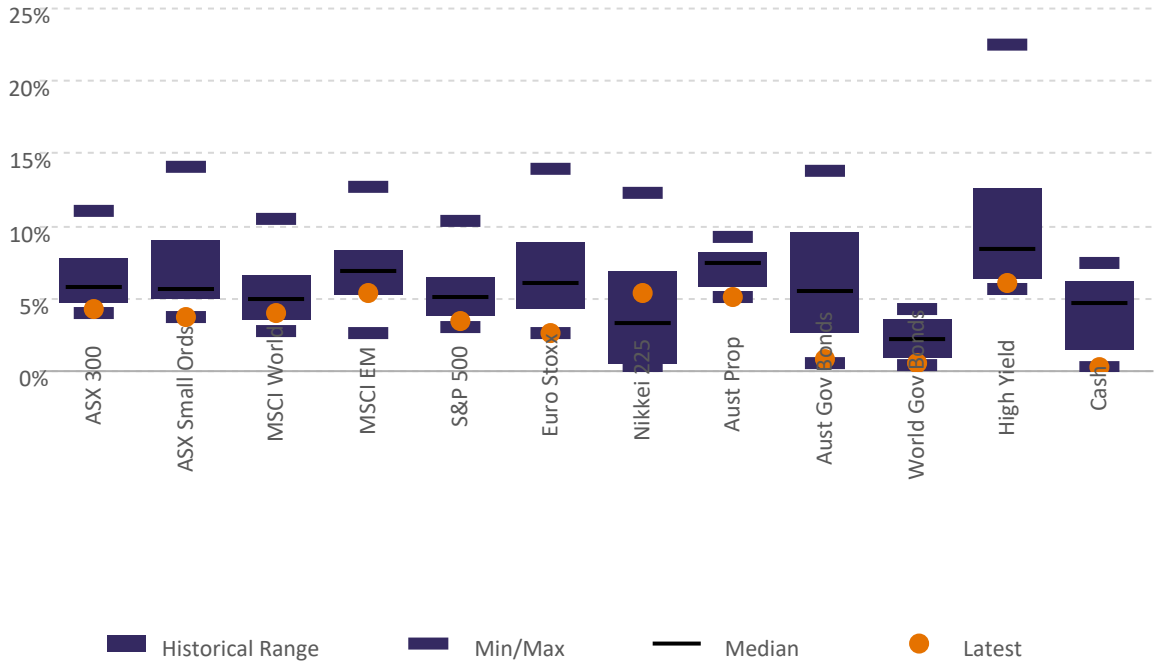
	Index Value	Month	3 Months	FYTD	1 Year
<b>Australian Equities</b>					
 S&P/ASX 300 Accum. Index	5,800	-3.6%	-0.1%	-0.1%	-10.0%
S&P/ASX 300 Accum. Industrials Index	8,933	-3.2%	-0.1%	-0.1%	-11.5%
S&P/ASX 300 Accum. Resources Index	4,310	-5.2%	0.0%	0.0%g	-3.6%
ASX Small Caps Accum. Index	2,727	-2.8%	5.7%	5.7%	-3.3%
<b>International Equities</b>					
 MSCI World ex-Aus Index (\$A)	3,786	-0.3%	3.8%	3.8%	4.3%
MSCI World ex-Aus Index (Hedged \$A)	3,098	-3.4%	8.0%	8.0%	9.6%
MSCI Emerging Markets Index (\$A)	1,090	1.5%	5.2%	5.2%	4.0%
MSCI World ex-Aus Small Cap Index (\$A)	458	1.1%	3.1%	3.1%	-3.4%
US (S&P 500 Index in USD)*	3,363	-3.9%	8.5%	8.5%	13.0%
US Tech (NASDAQ Index in USD)*	11,168	-5.2%	11.0%	11.0%	39.6%
United Kingdom (FTSE 100 Index in GBP)*	5,866	-1.6%	-4.9%	-4.9%	-20.8%
Japan (Nikkei 225 Index in JPY)*	23,185	0.2%	4.0%	4.0%	6.6%
Europe (Stoxx 50 Index in EUR)*	3,194	-2.4%	-1.3%	-1.3%	-10.5%
China (Shanghai Composite Index in CNY)*	3,218	-5.2%	7.8%	7.8%	10.8%
<b>AUD versus ...</b>					
 USD	0.71	-3.3%	3.6%	3.6%	5.3%
JPY	74.99	-3.4%	1.4%	1.4%	3.1%
GBP	0.55	0.5%	-0.9%	-0.9%	0.9%
EUR	0.61	-1.9%	-0.9%	-0.9%	-1.8%
<b>Real Assets</b>					
 ASX 300 Listed Property Trusts Accum. Index	1,289	-1.1%	7.4%	7.4%	-15.8%
FTSE EPRA / NAREIT Dev. Index (Hedged \$A)	1,418	-2.6%	0.6%	0.6%	-21.5%
MSCI Australia Infrastructure	1,169	0.6%	-3.7%	-3.7%	-6.9%
FTSE Global Core Infra 50/50 Index (Hedged \$A)	2,124	-0.3%	1.0%	1.0%	-9.6%
<b>Oil and Commodities</b>					
 Crude Oil (US\$/bbl)	40.1	-6.0%	2.0%	2.0%	-25.9%
Copper Spot (US\$/tonne)	6,668	-0.4%	11.1%	11.1%	17.1%
Gold Spot (US\$/ounce)	1,900	-3.5%	6.5%	6.5%	28.9%
<b>Australian Fixed Interest</b>					
 Bloomberg AusBond Composite Index	10,710	1.1%	1.0%	1.0%	3.2%
Bloomberg AusBond Government Index	11,220	1.3%	0.8%	0.8%	2.7%
Bloomberg AusBond Corporate Index	10,955	0.5%	1.5%	1.5%	3.5%
Bloomberg AusBond Bank Bill Index	9,018	0.0%	0.0%	0.0%	0.6%
<b>Global Fixed Interest</b>					
 FTSE WGBI ex-Aus (Hedged \$A)	2,645	0.8%	0.7%	0.7%	3.9%
Barclay's Global Agg. Bond Index (Hedged \$A)	1,104	0.4%	0.7%	0.7%	3.5%
<b>Fixed Income (yields) as at ...</b>					
 Australia Bank Bill	Sep 2020	Aug 2020	Jun 2020	Jun 2020	Sep 2019
Australia 10-Year Government Bond	0.09	0.09	0.09	0.09	1.01
US 10-Year Government Bond	0.85	0.98	0.88	0.88	0.96
UK 10-Year Government Bond	0.68	0.69	0.65	0.65	1.67
Germany 10-Year Government Bond	0.23	0.31	0.17	0.17	0.49
Japan 10-Year Government Bond	-0.52	-0.40	-0.46	-0.46	-0.57
	0.02	0.05	0.03	0.03	-0.22

Source: Refinitiv Datastream

\*Price Index

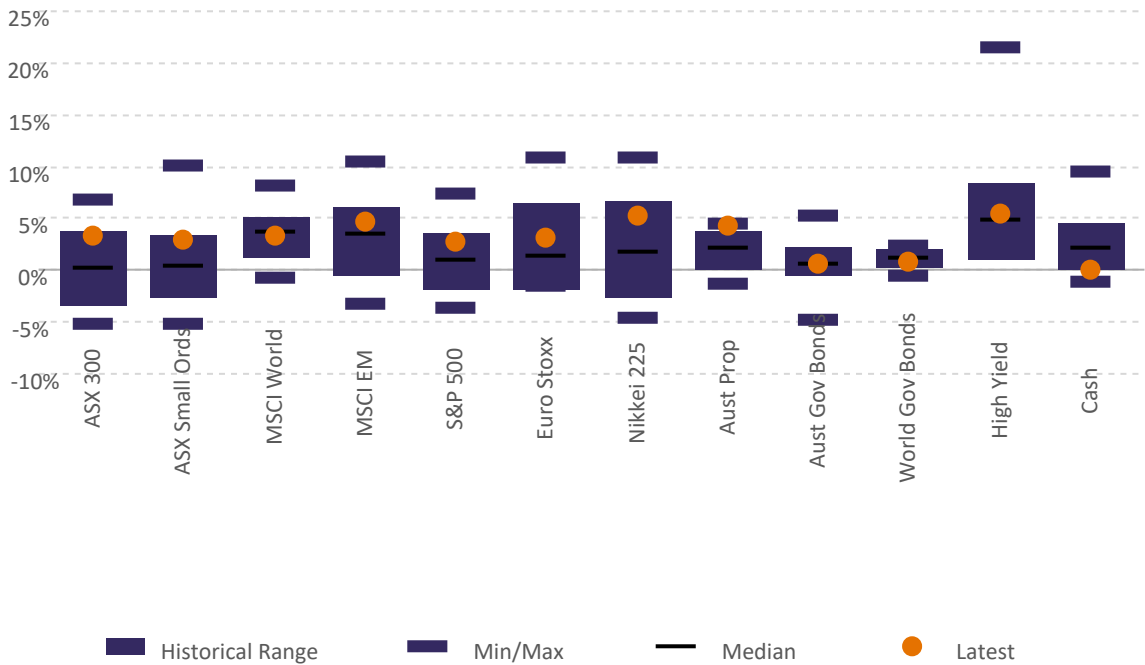
# Asset Class Yields Relative to History

Current Yields (equities earnings)



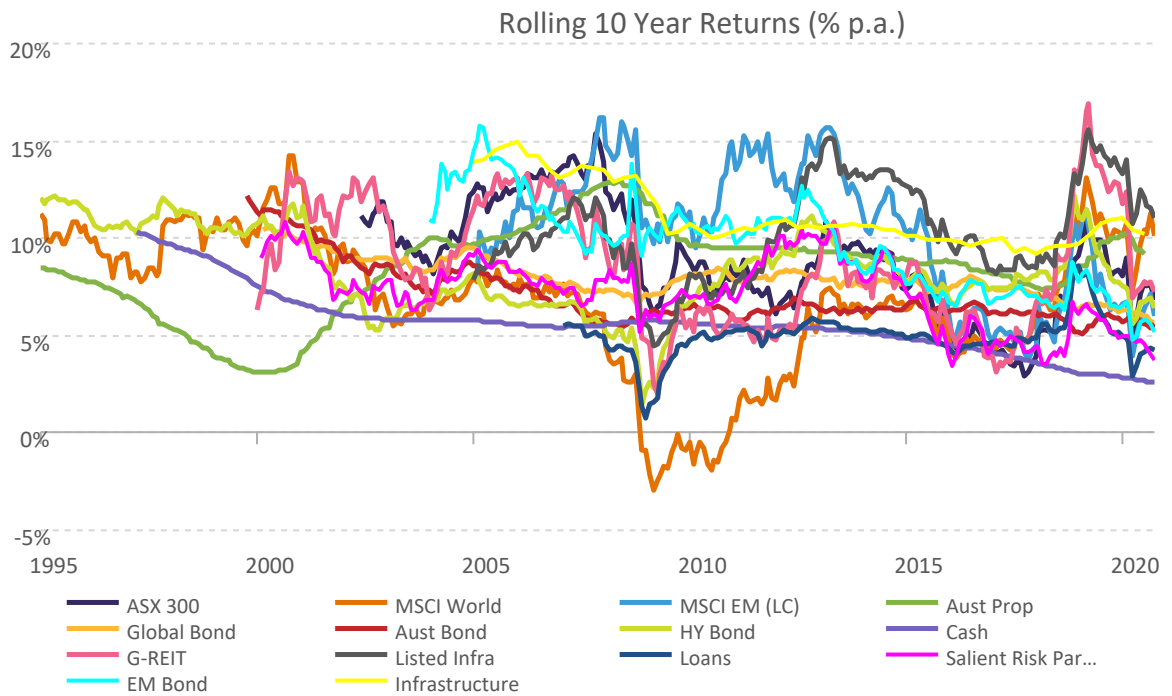
Source: Refinitiv Datastream

Relative Yields (vs bond or cash yield)



Source: Refinitiv Datastream

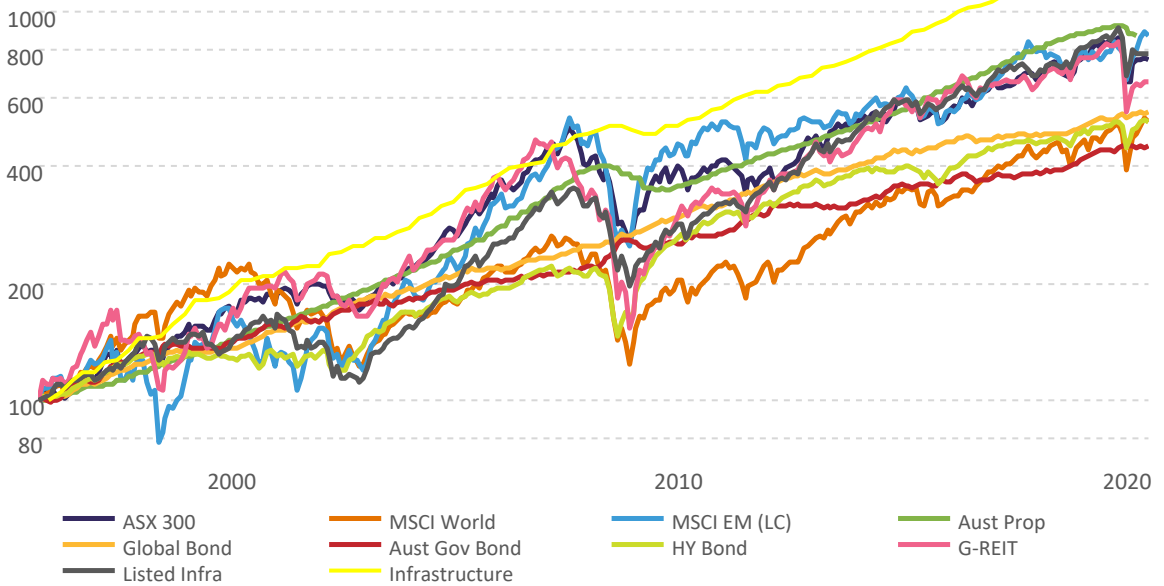
# Asset Class Long-Term Returns



Source: Refinitiv Datastream

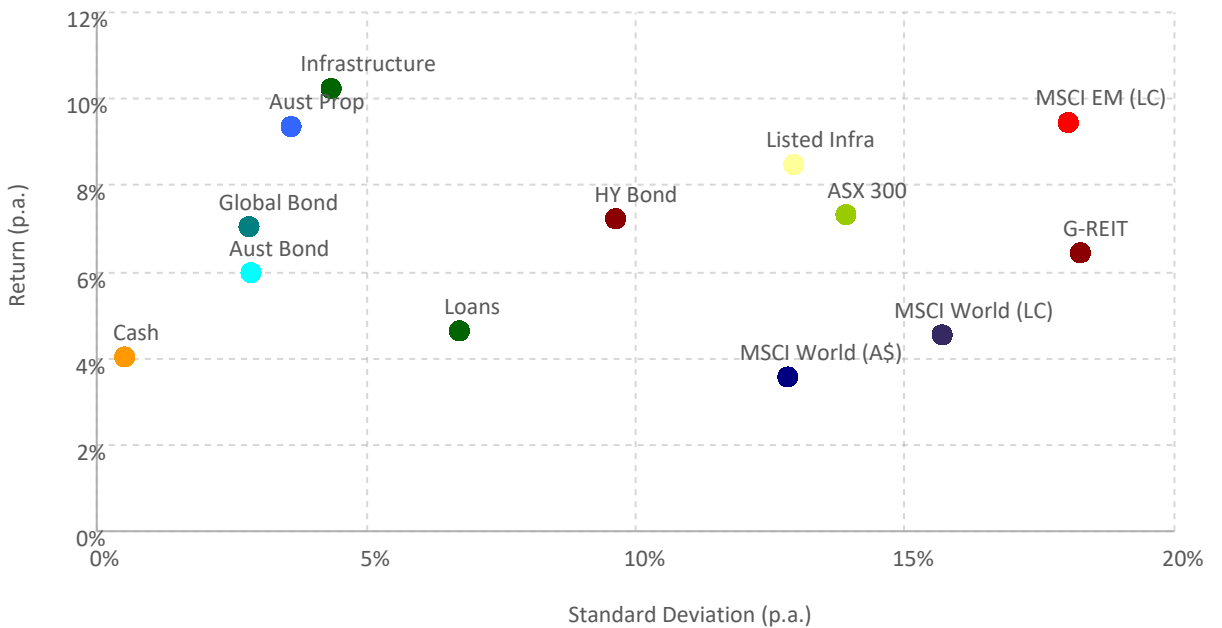
# Asset Class Long-Term Returns

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



Source: Refinitiv Datastream

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



Source: Refinitiv Datastream

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