

Monthly Market Snapshot

JULY 2018

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

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Market Commentary

Amid Trump's protectionism stance, Europe and Japan signed a significant free trade deal to eliminate nearly all tariffs, sending a message against protectionism. This trade deal is approximately one-third of the world's gross domestic product (GDP). To add on, the US and EU publicly announced that they are in negotiation and working toward zero tariffs. However, uncertainty remains as a formal agreement has yet to be made. On the China front, the Trump administration has threatened to impose 10% tariffs on an additional \$200 billion worth of Chinese goods.

In the US, economic growth was reported at 4.1% for Q2 2018. This is well above 2.2% in Q1 2018 and the strongest growth in nearly four years. The latest annual core inflation has also edged up slightly higher to 2.3%. Unemployment rate has also fallen to 3.9%.

With efforts to defend its growth, while managing its deleveraging campaign, China has announced a number of fiscal policy measures to support its real economy. Some of these policies include:

- Additional tax cuts for companies that expand on research and development expenditure
- Issuance of local government bonds to support infrastructure investment

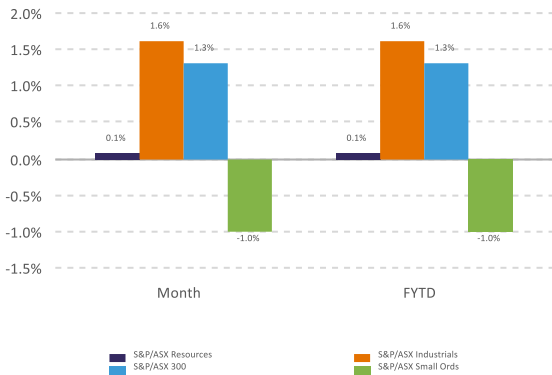
- Issuance of financial bonds to provide lending to support small medium enterprises
- Improving policies to attract foreign businesses to re-invest and accelerate implementation of such projects
- Guiding financial institutions to ensure funding to existing projects and reasonable funding from local government financing vehicles

In Australia, the outlook for the labour market remains positive as the latest data showed a rebound in jobs added, particularly in full-time jobs. A statement recently released by the RBA suggested that housing credit growth has declined and investor demand has slowed noticeably. Housing prices in Melbourne and Sydney have also been easing. Tighter bank regulations have helped to mitigate housing risks. Furthermore, APRA's mandatory comprehensive credit regime came into effect on 1st July 2018. This measure will give lenders access to a deeper, richer set of data enabling them to make a better assessment of a borrower's true credit position and ability to repay a loan.

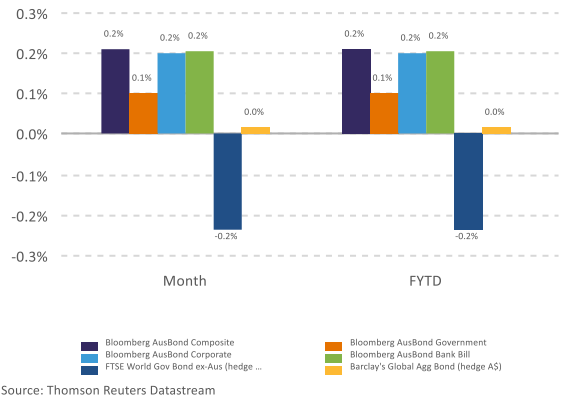
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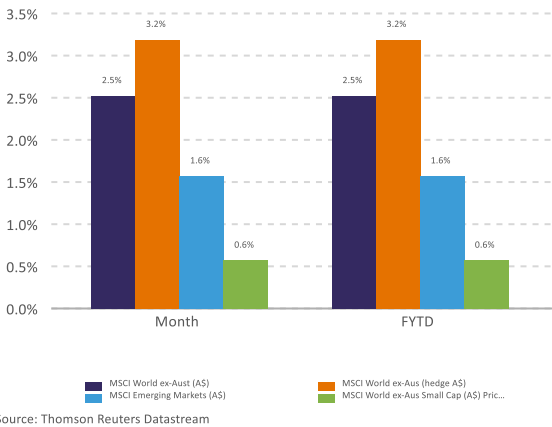
Australian equities



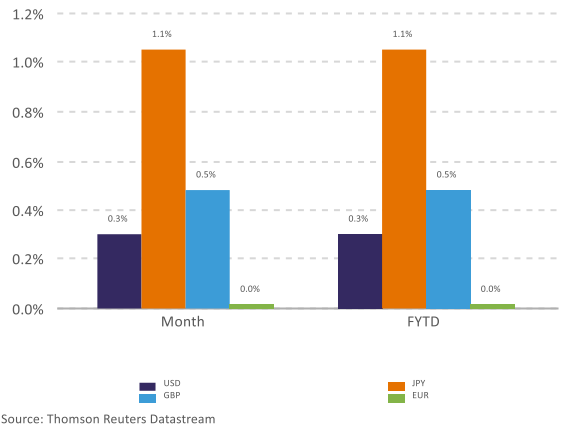
Fixed income



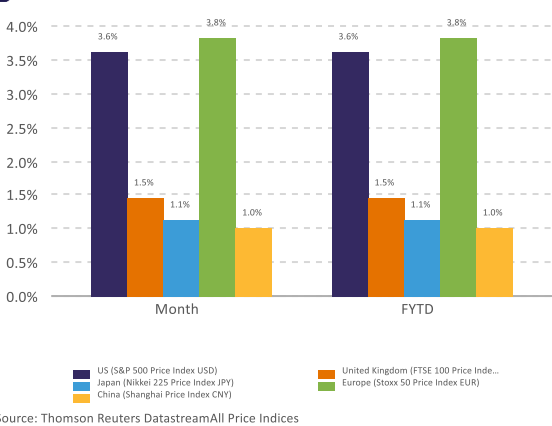
International Equities (\$A)



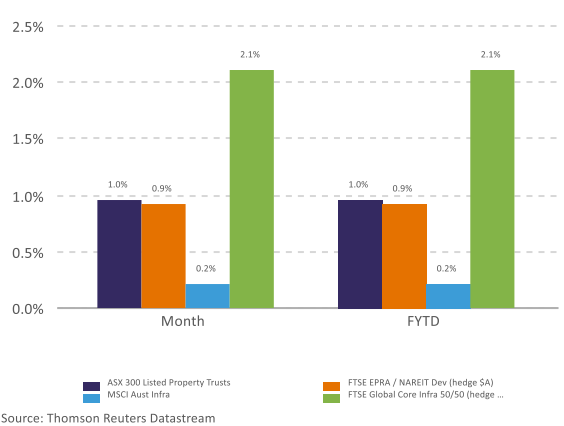
Australian dollar











International Equities



Property



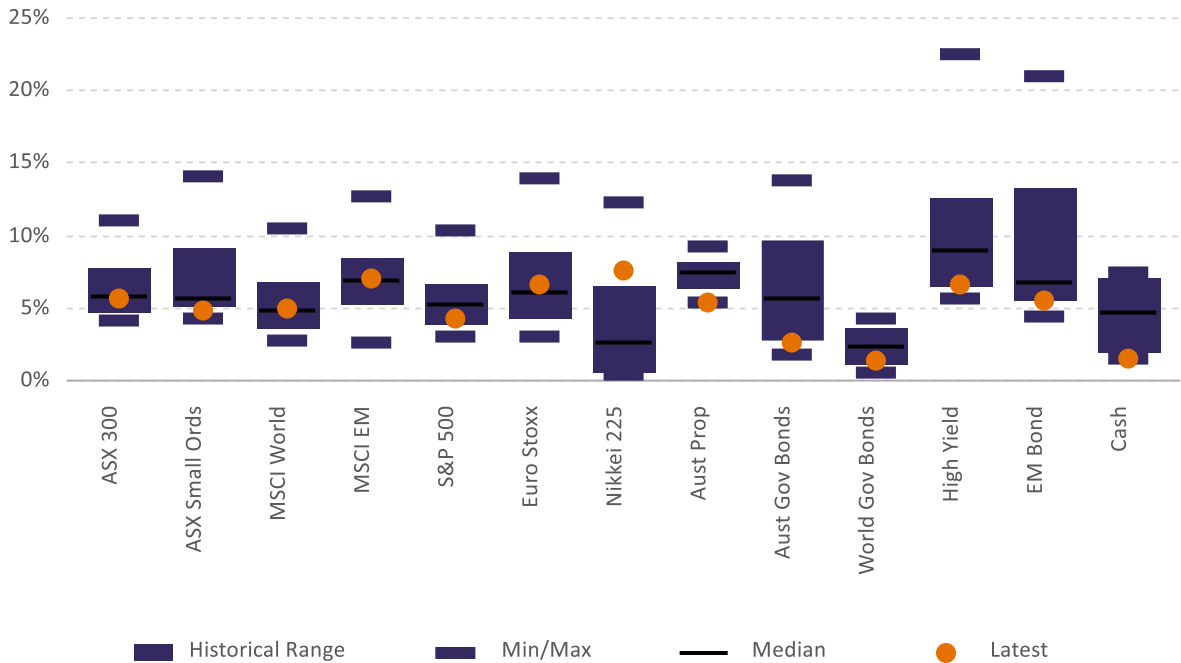
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	Index value	Month	3 months	FYTD	1 year	
Australian equities						
	S&P/ASX 300 Accum. Index	63,088	1.3%	5.8%	1.3%	14.7%
	S&P/ASX 300 Accum. Industrials Index	125,041	1.6%	5.7%	1.6%	10.8%
	S&P/ASX 300 Accum. Resources Index	27,233	0.1%	6.0%	0.1%	33.9%
	ASX Small Caps Accum. Index	8,059	-1.0%	3.7%	-1.0%	22.6%
International equities						
	MSCI World ex-Aus Index (\$A)*	9,304	2.5%	5.3%	2.5%	20.3%
	MSCI World ex-Aus Index (Hedged \$A)*	1,713	3.2%	4.9%	3.2%	13.4%
	MSCI Emerging Markets Index (\$A)*	669	1.6%	-4.1%	1.6%	12.1%
	MSCI World ex-Aus Small Cap Index (\$A)	589	0.6%	4.8%	0.6%	20.3%
	US (S&P 500 Index in USD)	2,816	3.6%	6.4%	3.6%	14.0%
	United Kingdom (FTSE 100 Index in GBP)	7,749	1.5%	3.2%	1.5%	5.1%
	Japan (Nikkei 225 Index in JPY)	22,554	1.1%	0.4%	1.1%	13.2%
	Europe (Stoxx 50 Index in EUR)	3,525	3.8%	-0.3%	3.8%	2.2%
	China (Shanghai Composite Index in CNY)	2,876	1.0%	-6.7%	1.0%	-12.1%
AUD versus ...						
	USD	0.74	0.3%	-1.4%	0.3%	-7.2%
	JPY	82.68	1.1%	0.1%	1.1%	-6.3%
	GBP	0.57	0.5%	3.1%	0.5%	-6.9%
	EUR	0.63	0.0%	1.7%	0.0%	-6.7%
Property						
	ASX 300 Listed Property Trusts Accum. Index	48,854	1.0%	6.3%	1.0%	14.5%
	FTSE EPRA / NAREIT Dev. Index (Hedged \$A)*	2,616	0.9%	5.3%	0.9%	6.5%
Oil and Commodities						
	Crude Oil (\$/bbl)	69	-7.3%	0.3%	-7.3%	37.1%
	Copper Spot (\$/tonne)	6,279	-5.2%	-7.2%	-5.2%	-0.9%
	Gold Spot (\$/ounce)	1,234	-2.6%	-7.8%	-2.6%	-4.7%
Australian Fixed Interest						
	Bloomberg AusBond Composite Index	9,302	0.2%	1.3%	0.2%	3.0%
	Bloomberg AusBond Government Index	9,641	0.1%	1.5%	0.1%	3.0%
	Bloomberg AusBond Corporate Index	9,648	0.2%	1.1%	0.2%	3.4%
	Bloomberg AusBond Bank Bill Index	8,784	0.2%	0.5%	0.2%	1.8%
Global Fixed Interest						
	FTSE WGBI ex-Aus (Hedged \$A)	2,296	-0.2%	0.3%	-0.2%	1.9%
	Barclay's Global Agg. Bond Index (Hedged \$A)	-	0.0%	0.6%	0.0%	1.5%
Fixed income (yields) as at ...						
	Australia Bank Bill	31-Jul-18	30-Jun-18	30-Apr-18	30-Jun-17	31-Jul-17
	Australia 10 Year Government Bond	1.96	2.10	2.03	2.10	1.69
	US 10 Year Government Bond	2.65	2.63	2.77	2.63	2.68
	UK 10 Year Government Bond	2.96	2.86	2.95	2.86	2.29
	Germany 10 Year Government Bond	1.33	1.28	1.42	1.28	1.23
	Japan 10 Year Government Bond	0.44	0.30	0.56	0.30	0.54
		0.06	0.04	0.06	0.04	0.08

* Net dividends reinvested

Asset Class Yields Relative to History

Current Yields (equities earnings)



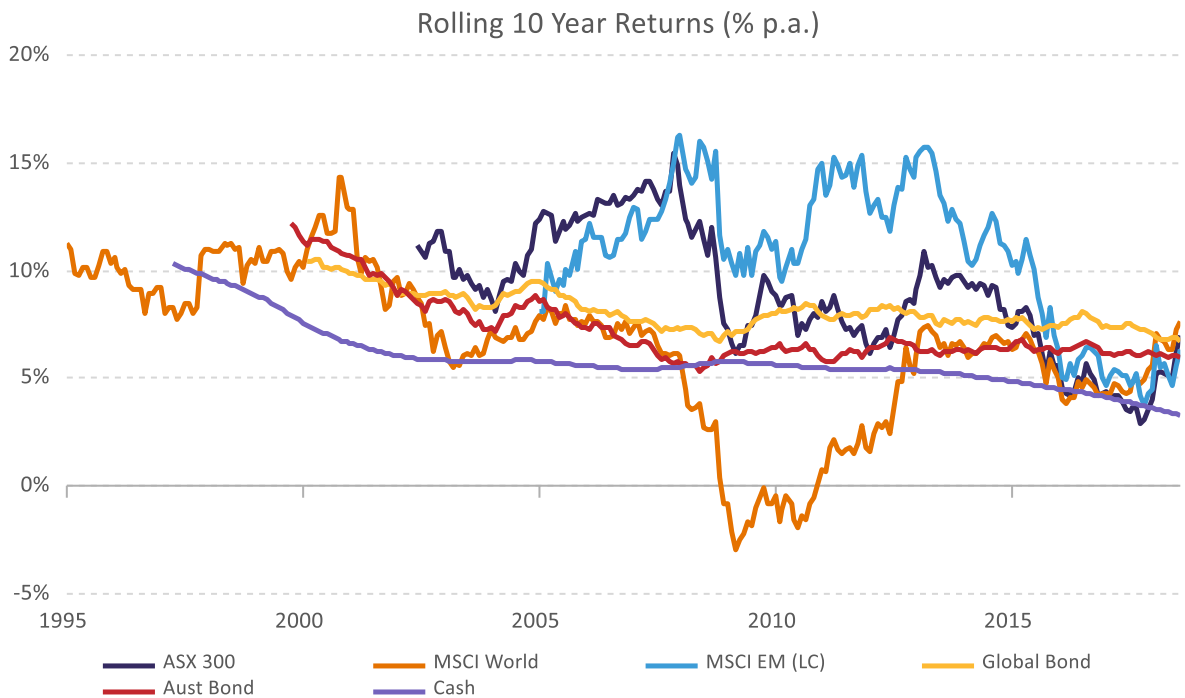
Source: Thomson Reuters Datastream

Relative Yields (vs bond or cash yield)

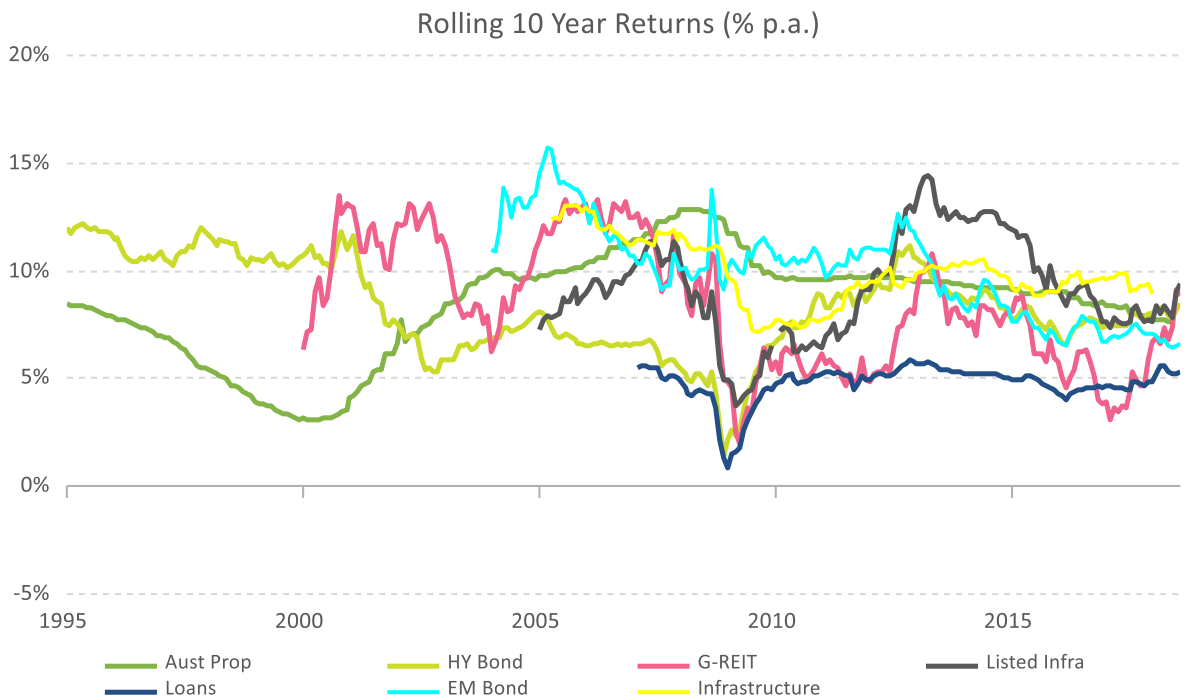


Source: Thomson Reuters Datastream

Asset Class Long-Term Returns



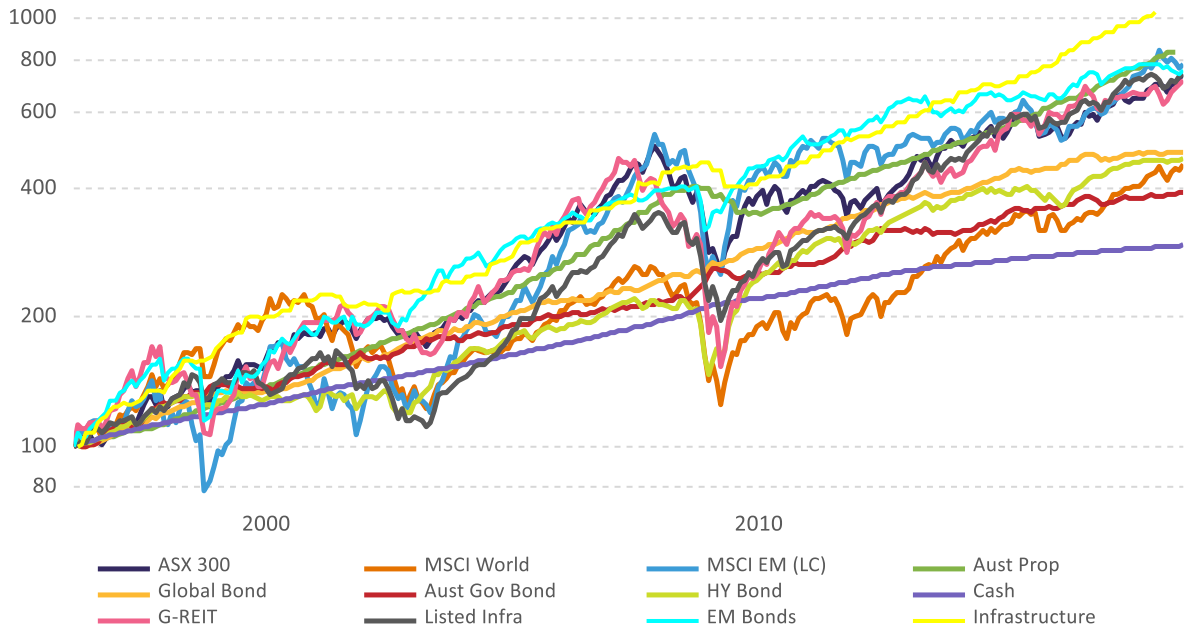
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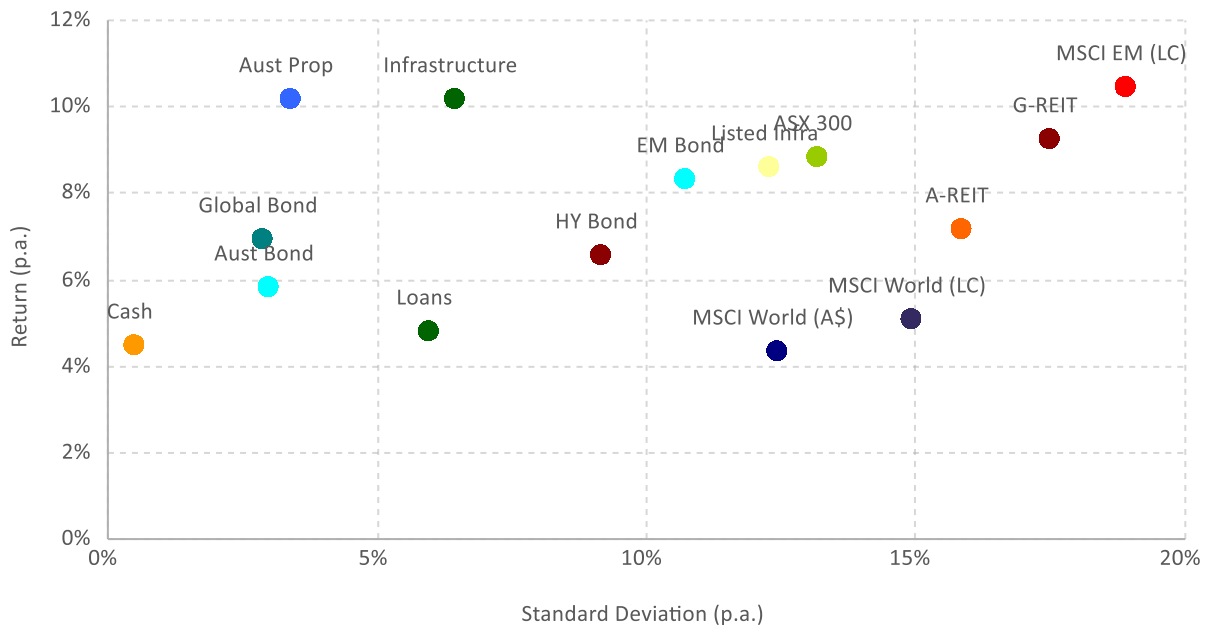
Asset Class Long-Term Returns

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



Source: Thomson Reuters Datastream

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



Source: Thomson Reuters Datastream

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