

Monthly Market Snapshot

JANUARY 2019

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

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Market Commentary

The month of January saw a broad-based recovery in risk assets. Equity markets rallied across the globe recovering some of the losses incurred in the disappointing final quarter of 2018. The US equity market outperformed global equities.

The Resources sector produced particularly strong returns as the oil price jumped up nearly 20% in January. The price increase has been largely attributed to the heavy US sanctions imposed on Venezuela in response to its escalating political turmoil, with the expectation of further supply disruption.

Global listed property (in particular) and Australian listed property outperformed the broader equity market and produced strong returns over the month.

Returns in the fixed income sector were positive, but more muted, in January. There was some decline in government bond yields over the month which supported returns. International government bonds slightly outperformed Australian government bonds.

Over the month, the Australian dollar appreciated against the US dollar, Japanese Yen and the Euro, but fell against the UK pound. The UK pound is very volatile as the date for Brexit approaches. The ultimate outcome of Brexit (or even if it occurs) is highly uncertain and is causing significant disruption to the UK economy.

The US Government was in partial shutdown for most of January, as President Trump tried to gain leverage to secure funding for his border wall project. The shutdown was put on temporary pause on 25 January.

On the trade front, the US and China are in the midst of trade talks, with the hope that a deal is made before the halt on tariff increases is due to expire on 1 March.

Despite upbeat announcements made along the way, the outcomes remain uncertain.

At its recent January meeting, the US Federal Reserve held interest rates unchanged. Its messaging at the meeting was increasingly cautious, noting “the case for raising rates has weakened somewhat” and that it will employ a “patient wait-and-see approach regarding future policy changes”.

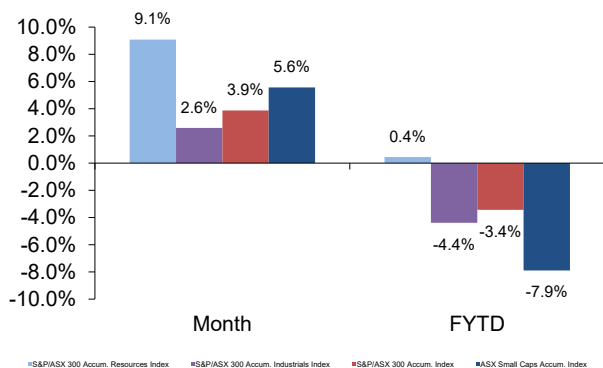
China’s economy continues to slow as deleveraging and trade related weakness continue to negatively impact. Authorities are moving to more support for the economy. The People’s Bank of China (PBoC) announced a cut in the reserve ratio requirement (RRR) for banks of 100 basis points in two stages. In addition, the Government announced a targeted stimulus plan to cut the tax on small and micro-sized firms over the next three years, and implementing further measures to encourage banks to lend to small and private companies.

Within Australia, property prices continued their fall in January. Consumer confidence has fallen and the latest retail sales growth figure also declined, suggesting the correction in housing prices is impacting the broader economy. Financial markets were keenly anticipating the result of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, which was released in early February.

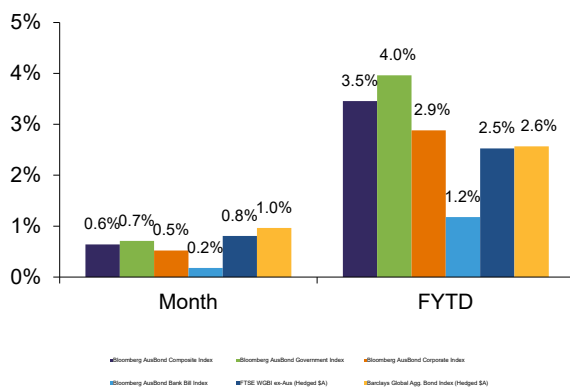
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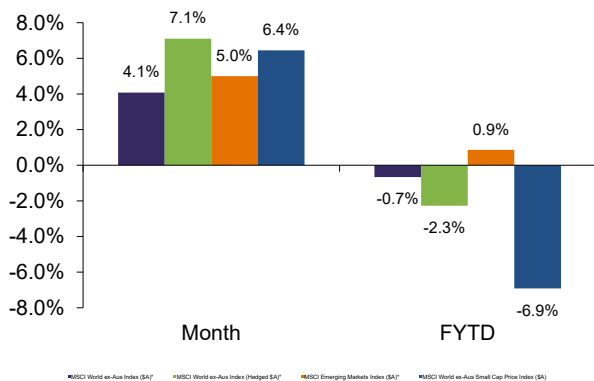
Australian Equities



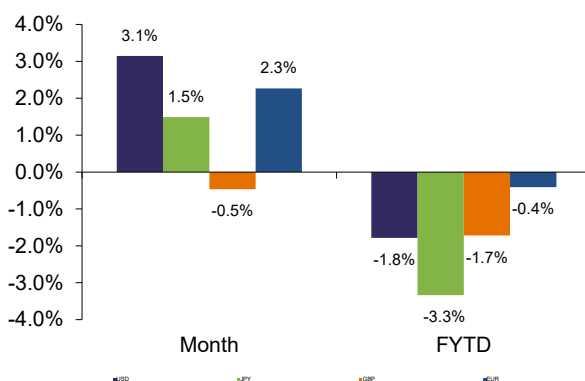
Fixed Income



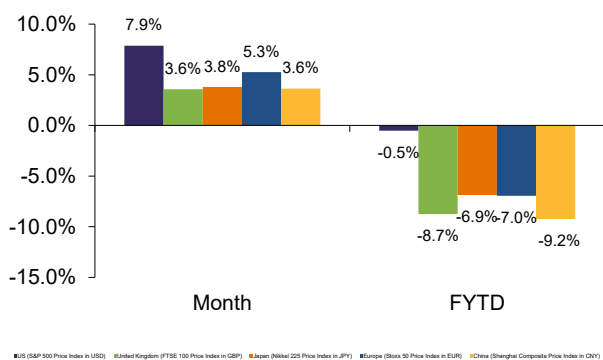
International Equities (\$A)



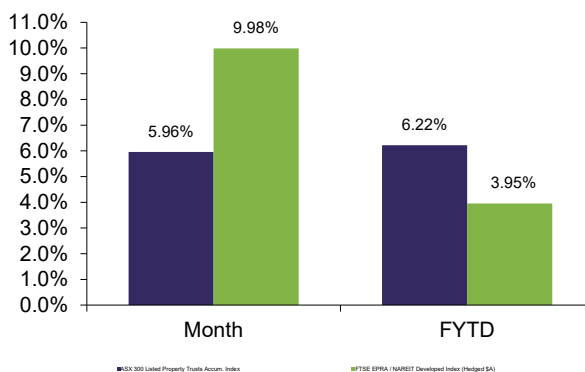
Australian Dollar



International Equities











Property



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

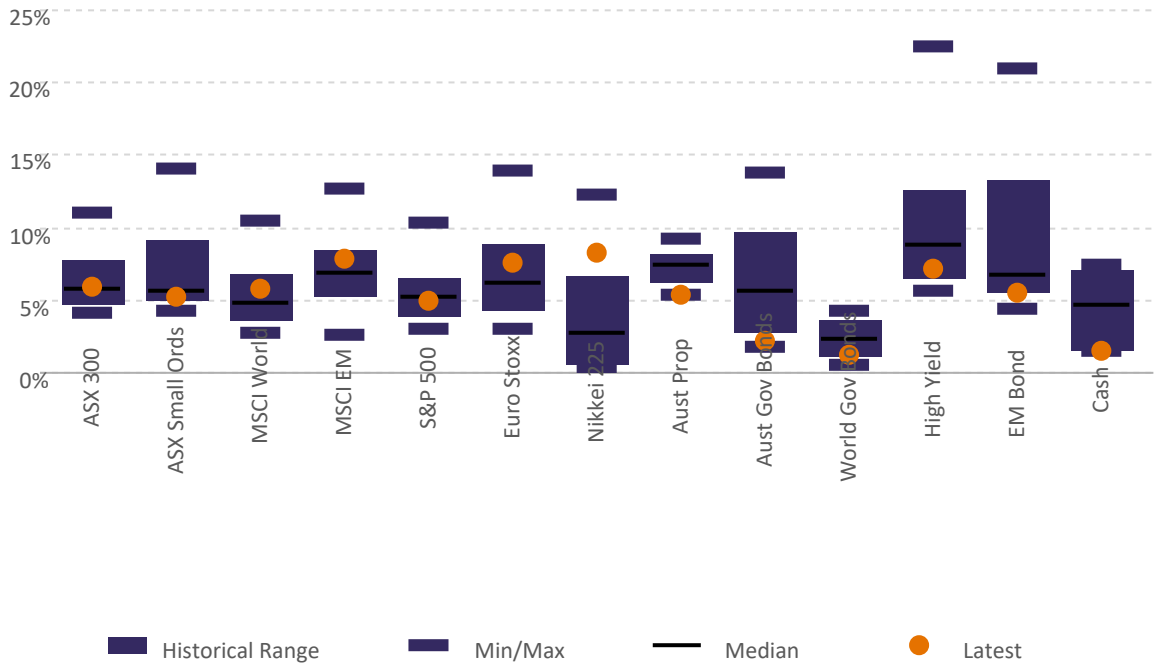
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	Index value	Month	3 months	FYTD	1 year	
Australian Equities						
	S&P/ASX 300 Accum. Index	60,136	3.9%	1.4%	-3.4%	1.1%
	S&P/ASX 300 Accum. Industrials Index	117,641	2.6%	0.0%	-4.4%	-1.1%
	S&P/ASX 300 Accum. Resources Index	27,334	9.1%	6.8%	0.4%	10.7%
	ASX Small Caps Accum. Index	7,498	5.6%	0.8%	-7.9%	-3.1%
International Equities						
	MSCI World ex-Aus Index (\$A)*	9,015	4.1%	-2.2%	-0.7%	3.8%
	MSCI World ex-Aus Index (Hedged \$A)*	1,622	7.1%	-0.6%	-2.3%	-4.7%
	MSCI Emerging Markets Index (\$A)*	664	5.0%	7.2%	0.9%	-4.8%
	MSCI World ex-Aus Small Cap Index (\$A)	545	6.4%	-2.5%	-6.9%	0.5%
	US (S&P 500 Index in USD)	2,704	7.9%	-0.3%	-0.5%	-4.2%
	United Kingdom (FTSE 100 Index in GBP)	6,969	3.6%	-2.2%	-8.7%	-7.5%
	Japan (Nikkei 225 Index in JPY)	20,773	3.8%	-5.2%	-6.9%	-10.1%
	Europe (Stoxx 50 Index in EUR)	3,159	5.3%	-1.2%	-7.0%	-12.5%
	China (Shanghai Composite Index in CNY)	2,585	3.6%	-0.7%	-9.2%	-25.7%
AUD versus ...						
	USD	0.73	3.1%	2.8%	-1.8%	-9.7%
	JPY	79.09	1.5%	-1.4%	-3.3%	-10.0%
	GBP	0.55	-0.5%	-0.7%	-1.7%	-2.8%
	EUR	0.63	2.3%	1.1%	-0.4%	-2.8%
Property						
	ASX 300 Listed Property Trusts Accum. Index	51,400	6.0%	7.5%	6.2%	13.1%
	FTSE EPRA / NAREIT Dev. Index (Hedged \$A)*	2,694	10.0%	7.0%	4.0%	7.0%
Oil and Commodities						
	Crude Oil (\$/bbl)	54	18.5%	-17.6%	-27.5%	-16.9%
	Copper Spot (\$/tonne)	6,151	3.4%	1.9%	-7.2%	-13.1%
	Gold Spot (\$/ounce)	1,325	2.9%	8.0%	3.7%	-3.7%
Australian Fixed Interest						
	Bloomberg AusBond Composite Index	9,608	0.6%	2.4%	3.5%	5.5%
	Bloomberg AusBond Government Index	10,012	0.7%	3.0%	4.0%	6.3%
	Bloomberg AusBond Corporate Index	9,902	0.5%	1.5%	2.9%	4.4%
	Bloomberg AusBond Bank Bill Index	8,870	0.2%	0.5%	1.2%	1.9%
Global Fixed Interest						
	FTSE WGBI ex-Aus (Hedged \$A)	2,360	0.8%	3.2%	2.5%	4.0%
	Barclay's Global Agg. Bond Index (Hedged \$A)	-	1.0%	2.9%	2.6%	3.3%
Fixed Income (yields) as at ...						
		31-Jan-19	31-Dec-18	31-Oct-18	30-Jun-18	31-Jan-18
	Australia Bank Bill	2.06	2.09	1.91	2.10	1.77
	Australia 10-Year Government Bond	2.24	2.32	2.63	2.63	2.81
	US 10-Year Government Bond	2.63	2.68	3.14	2.86	2.71
	UK 10-Year Government Bond	1.22	1.28	1.44	1.28	1.51
	Germany 10-Year Government Bond	0.15	0.24	0.39	0.30	0.70
	Japan 10-Year Government Bond	0.01	0.00	0.13	0.04	0.09

*Net dividends reinvested

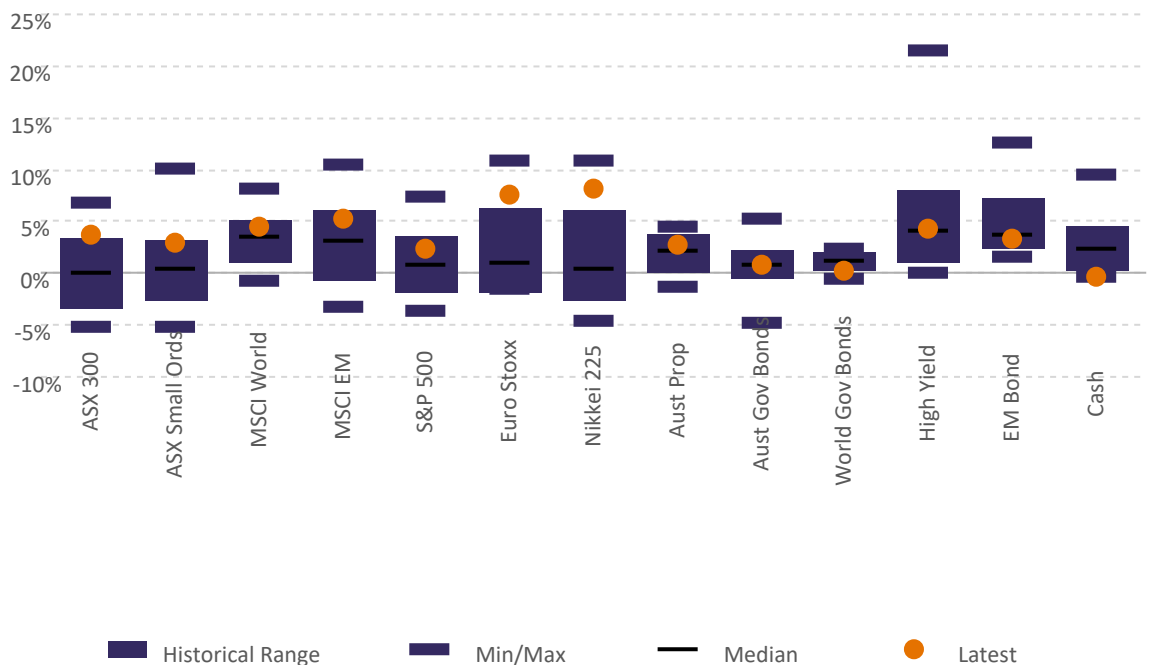
Asset Class Yields Relative to History

Current Yields (equities earnings)



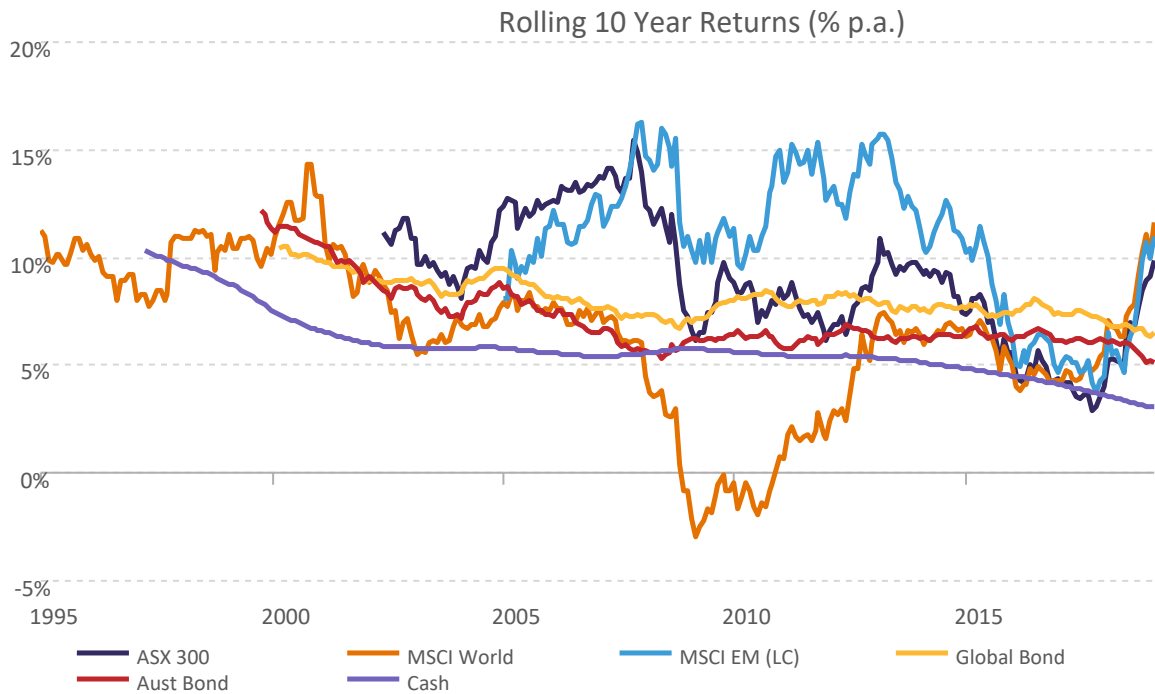
Source: Thomson Reuters Datastream

Relative Yields (vs bond or cash yield)

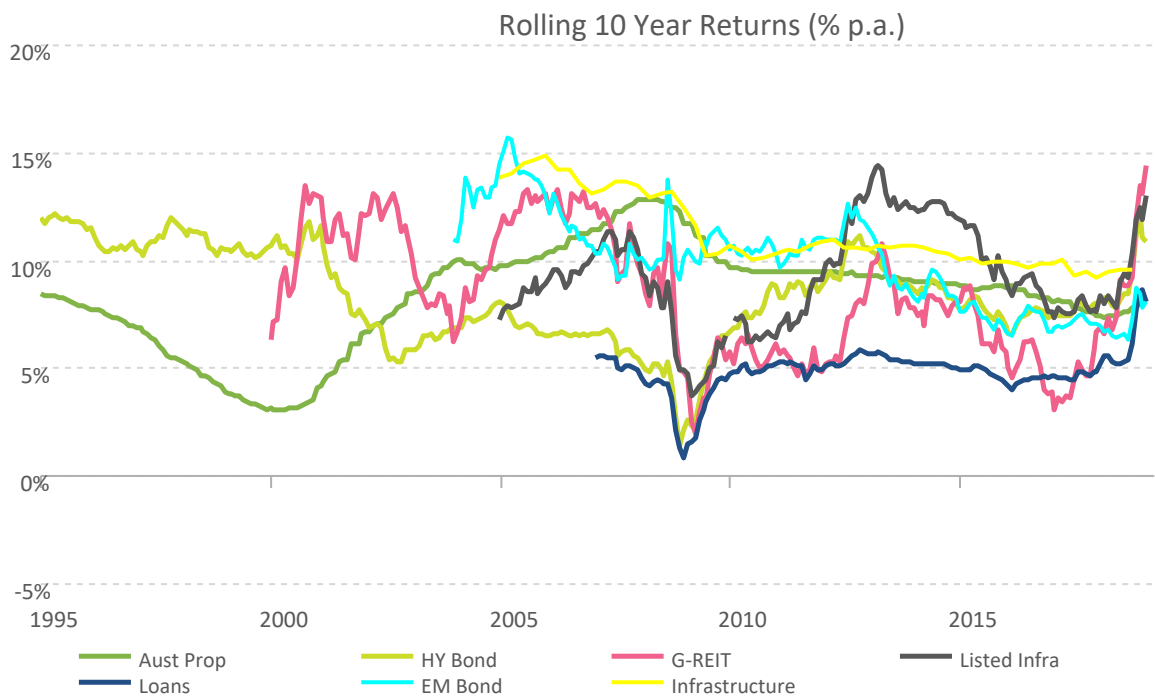


Source: Thomson Reuters Datastream

Asset Class Long-Term Returns



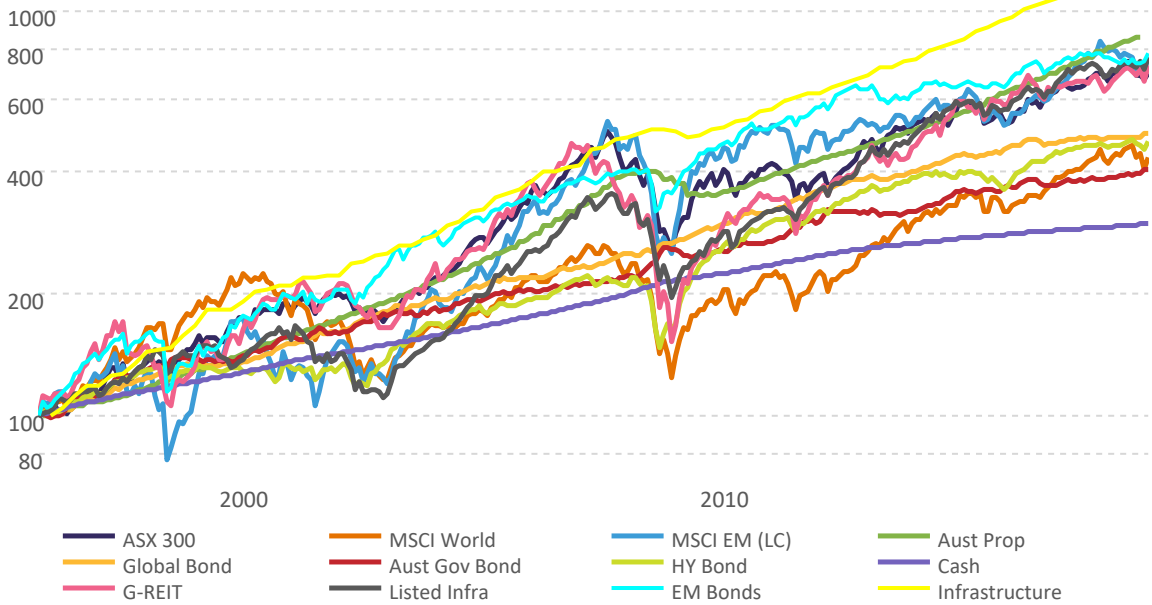
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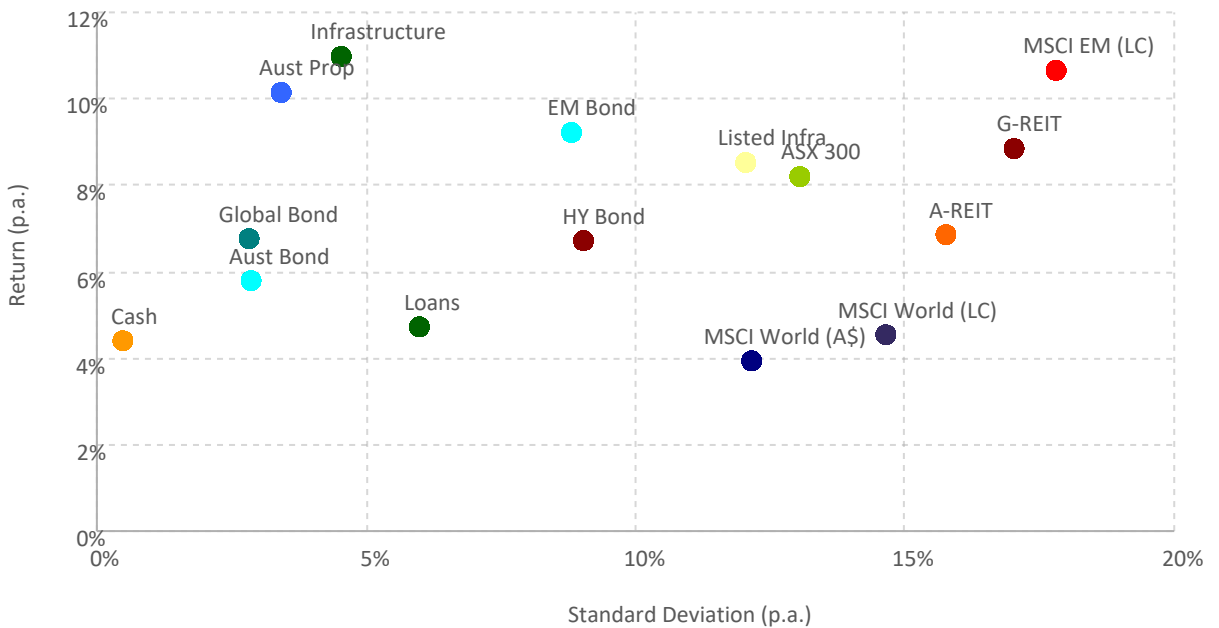
Asset Class Long-Term Returns

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



Source: Thomson Reuters Datastream

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



Source: Thomson Reuters Datastream

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