

Monthly Market Snapshot

NOVEMBER 2019

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

FRONTIER
ADVISORS



Market Commentary

International equities produced positive returns in November to continue the strong performance in 2019 for the calendar year to date. This trend was supported by renewed optimism that the US and China will agree a phase one trade deal. There was some improvement in the manufacturing Purchasing Managers' Index (PMI) survey. US economic growth was revised upward in the third quarter with consumption and employment remaining the key contributors. Retail sales in the US increased more than expected, durable goods orders rebounded and the labour market overall remained relatively strong. In Japan however, retail sales plunged as a consequence of the consumption tax hike. European economic activity was elevated on the previous month but remains fragile.

An offset to this generally positive performance was the Chinese equity market which produced a negative return in the month, as industrial profits and retail sales fell. There are also concerns that the ongoing protests in Hong Kong will be a drag on China's economic outlook. Small-cap equities performed particularly strongly in November, supported by an ongoing optimism for a phase one trade deal.

The Australian equity market return was positive. The Resources sector was the key contributor which was driven by an increase in commodity prices over the month. However, Australian banks had a negative return for November. In particular, Westpac's share price fell materially in response to alleged breaches of anti-money laundering laws, leading to the stepping down of its CEO.

Globally, central banks continued to maintain a dovish stance on monetary policy.

The US Federal Reserve (US Fed) suggested that the current monetary policy position was sufficiently accommodative to support favourable economic conditions and that the Fed might keep interest rates on hold. Christine Lagarde's first speech as President of the European Central Bank (ECB) proposed a new European policy mix, calling for more public spending as a backup to monetary policy. The Bank of Japan reduced the purchase of domestic securities to prevent the long-term yield from sliding far below its target, while the Bank of England held the policy rate unchanged in November.

A speech by the RBA Governor indicated that unconventional monetary policy is unlikely in the near future. The RBA advised that they would consider quantitative easing at a cash rate of 0.25 per cent. This shifted down the cash rate futures yield curve.

The Australian dollar depreciated against all major currencies in November due to market expectations about further interest rate cuts and the possibility of QE, as well as slow Chinese economic growth.

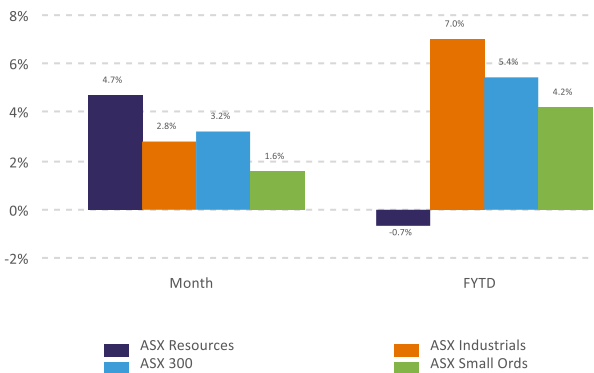
Australian bonds produced a positive return in November, while international government bond yields ticked up to provide negative returns in the month, but have still produced favourable returns over the last 12 months.

Australian listed property and infrastructure benefited from the small reduction in Australian bond yields and had positive returns in the month, Global listed property and infrastructure posted negative returns, consistent with global bonds.

November 2019



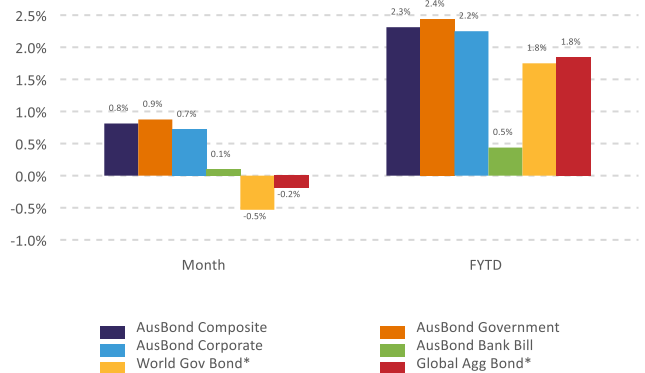
Australian Equities



Source: Refinitiv Datastream



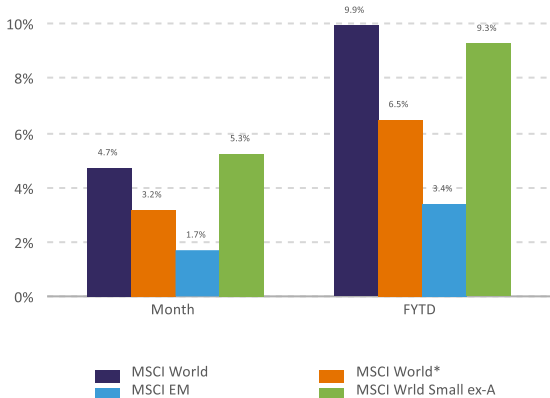
Fixed Income



Source: Refinitiv Datastream *Hedged A\$



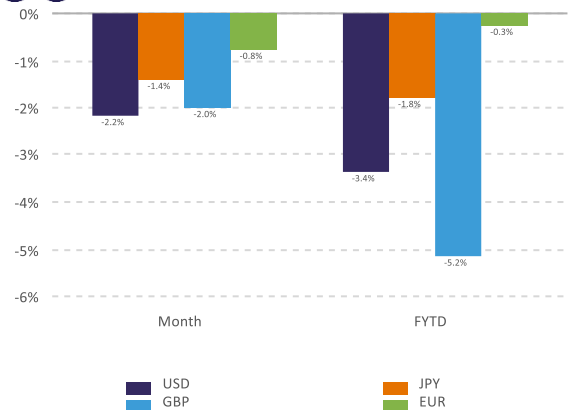
International Equities (\$A)



Source: Refinitiv Datastream *Hedged A\$



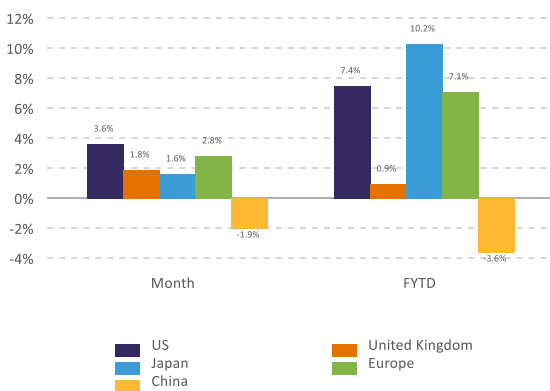
Australian Dollar



Source: Refinitiv Datastream



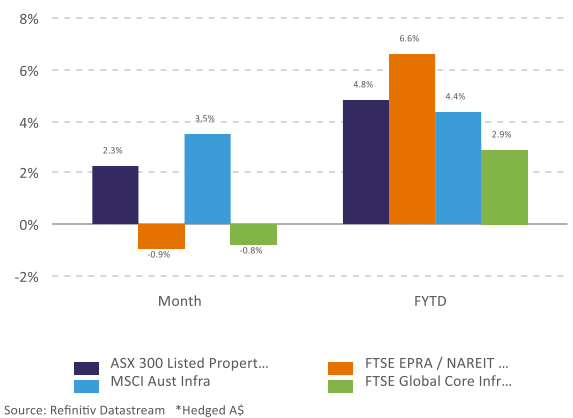
International Equities



Source: Refinitiv Datastream











Property



Source: Refinitiv Datastream *Hedged A\$

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

November 2019

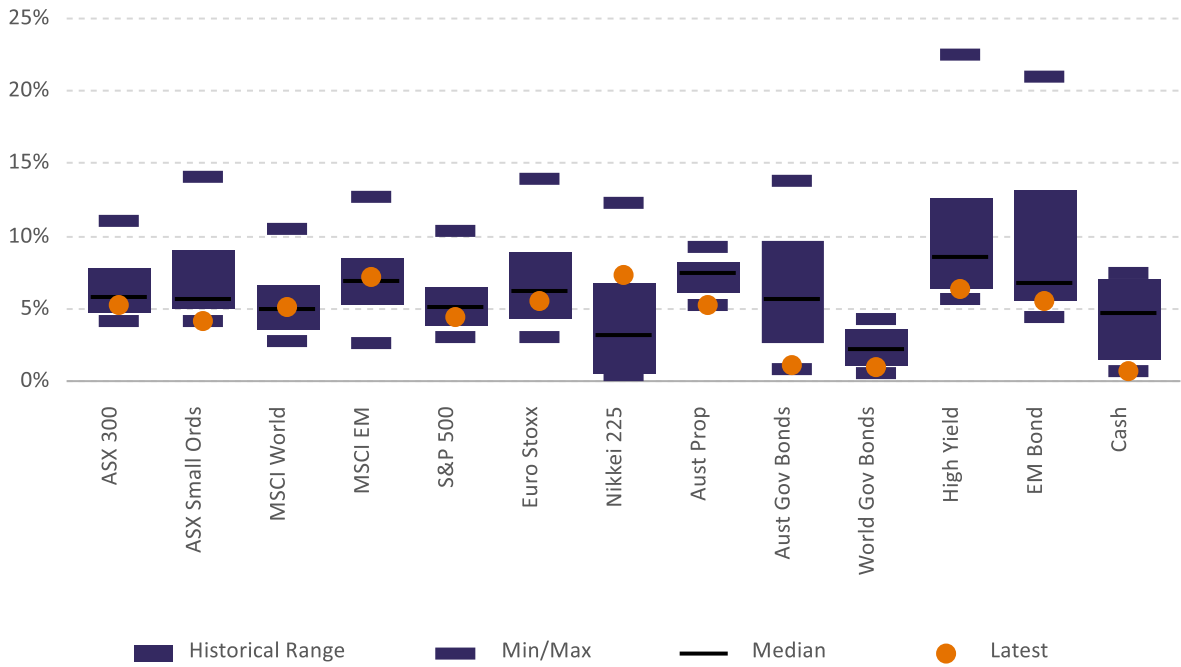
	Index value	Month	3 months	FYTD	1 year
Australian Equities					
 S&P/ASX 300 Accum. Index	73,140	3.2%	4.8%	5.4%	26.0%
S&P/ASX 300 Accum. Industrials Index	145,532	2.8%	4.5%	7.0%	25.1%
S&P/ASX 300 Accum. Resources Index	43,769	4.7%	6.0%	-0.7%	30.0%
ASX Small Caps Accum. Index	8,645	1.6%	3.7%	4.2%	16.6%
International Equities					
 MSCI World ex-Aus Index (\$A)*	11,182	4.7%	7.3%	10.1%	23.6%
MSCI World ex-Aus Index (Hedged \$A)*	1,877	3.2%	7.5%	6.5%	13.6%
MSCI Emerging Markets Index (\$A)*	726	1.7%	5.6%	3.4%	15.8%
MSCI World ex-Aus Small Cap Index (\$A)	641	5.2%	7.6%	8.7%	17.6%
US (S&P 500 Index in USD)	3,141	3.4%	7.3%	6.8%	13.8%
United Kingdom (FTSE 100 Index in GBP)	7,347	1.4%	1.9%	-1.1%	5.2%
Japan (Nikkei 225 Index in JPY)	23,294	1.6%	12.5%	9.5%	4.2%
Europe (Stoxx 50 Index in EUR)	3,704	2.8%	8.1%	6.6%	16.7%
China (Shanghai Composite Index in CNY)	2,872	-1.9%	-0.5%	-3.6%	11.0%
AUD versus ...					
 USD	0.68	-1.9%	0.4%	-3.6%	-7.5%
JPY	74.19	-1.4%	3.8%	-1.8%	-10.6%
GBP	0.52	-2.0%	-4.8%	-5.2%	-8.3%
EUR	0.62	-0.8%	1.2%	-0.3%	-4.1%
Property					
 ASX 300 Listed Property Trusts Accum. Index	60,567	2.3%	0.8%	4.8%	27.0%
FTSE EPRA / NAREIT Dev. Index (Hedged \$A)*	2,976	-0.9%	3.5%	6.6%	14.1%
Oil and Commodities					
 Crude Oil (\$/bbl)	55	1.8%	0.1%	-5.6%	8.3%
Copper Spot (\$/tonne)	5,843	1.3%	3.3%	-2.3%	-6.2%
Gold Spot (\$/ounce)	1,473	-3.2%	-4.1%	3.0%	16.6%
Australian Fixed Interest					
 Bloomberg AusBond Composite Index	10,411	0.8%	-0.2%	2.3%	10.7%
Bloomberg AusBond Government Index	10,947	0.9%	-0.5%	2.4%	12.2%
Bloomberg AusBond Corporate Index	10,636	0.7%	0.3%	2.2%	8.9%
Bloomberg AusBond Bank Bill Index	8,981	0.1%	0.2%	0.5%	1.6%
Global Fixed Interest					
 FTSE WGBI ex-Aus (Hedged \$A)	2,513	-0.5%	-1.7%	1.8%	9.1%
Barclay's Global Agg. Bond Index (Hedged \$A)	-	-0.2%	-1.0%	1.8%	9.0%
Fixed Income (yields) as at ...					
 Australia Bank Bill	0.89	0.94	0.97	1.21	1.95
Australia 10-Year Government Bond	1.03	1.14	0.89	1.32	2.59
US 10-Year Government Bond	1.78	1.69	1.50	2.01	2.99
UK 10-Year Government Bond	0.70	0.63	0.48	0.83	1.36
Germany 10-Year Government Bond	-0.36	-0.41	-0.70	-0.33	0.31
Japan 10-Year Government Bond	-0.07	-0.13	-0.27	-0.16	0.09

Source: Bloomberg

*Net dividends reinvested

Asset Class Yields Relative to History

Current Yields (equities earnings)



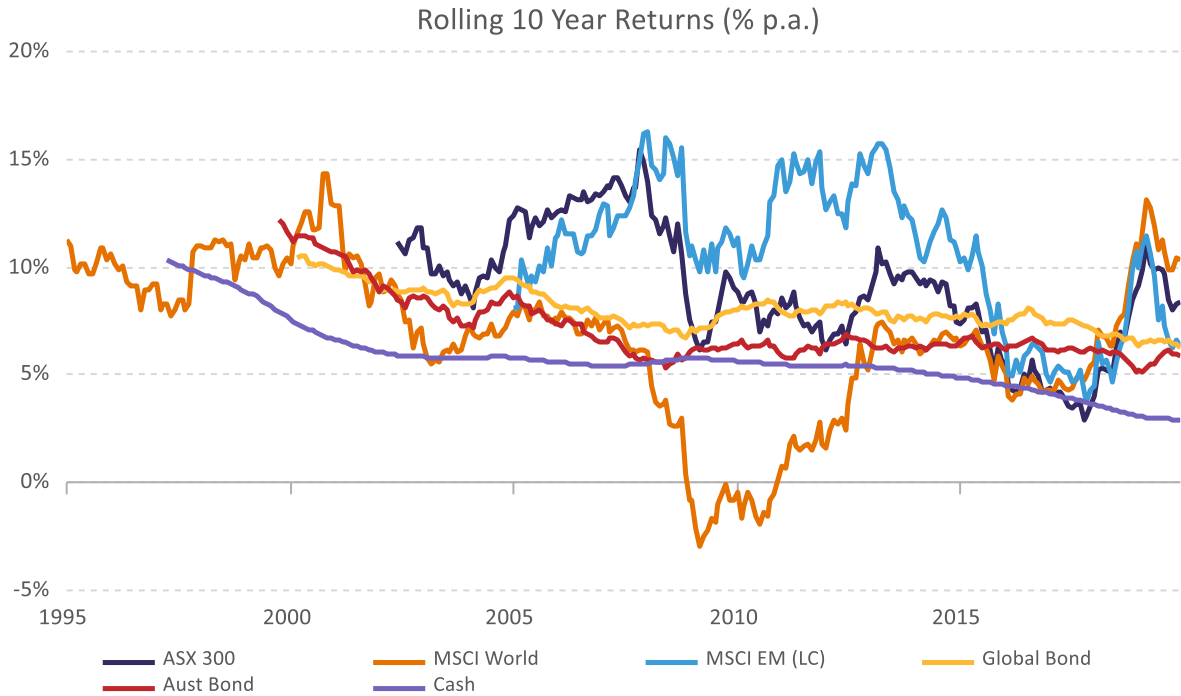
Source: Refinitiv Datastream

Relative Yields (vs bond or cash yield)

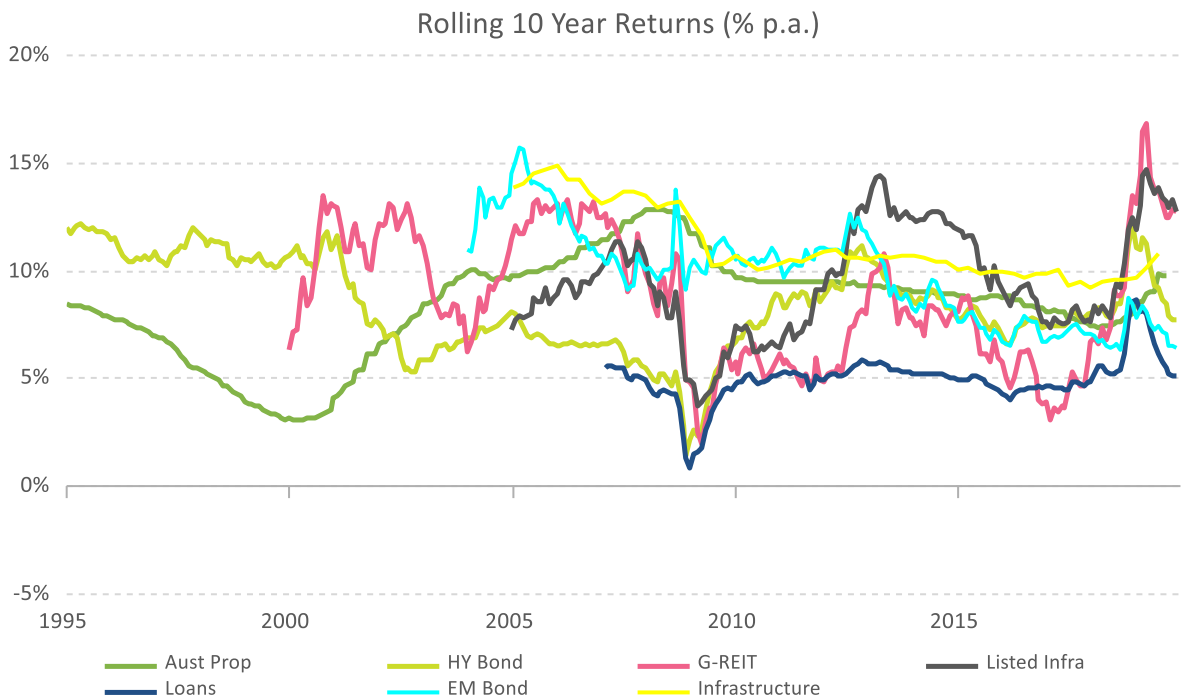


Source: Refinitiv Datastream

Asset Class Long-Term Returns



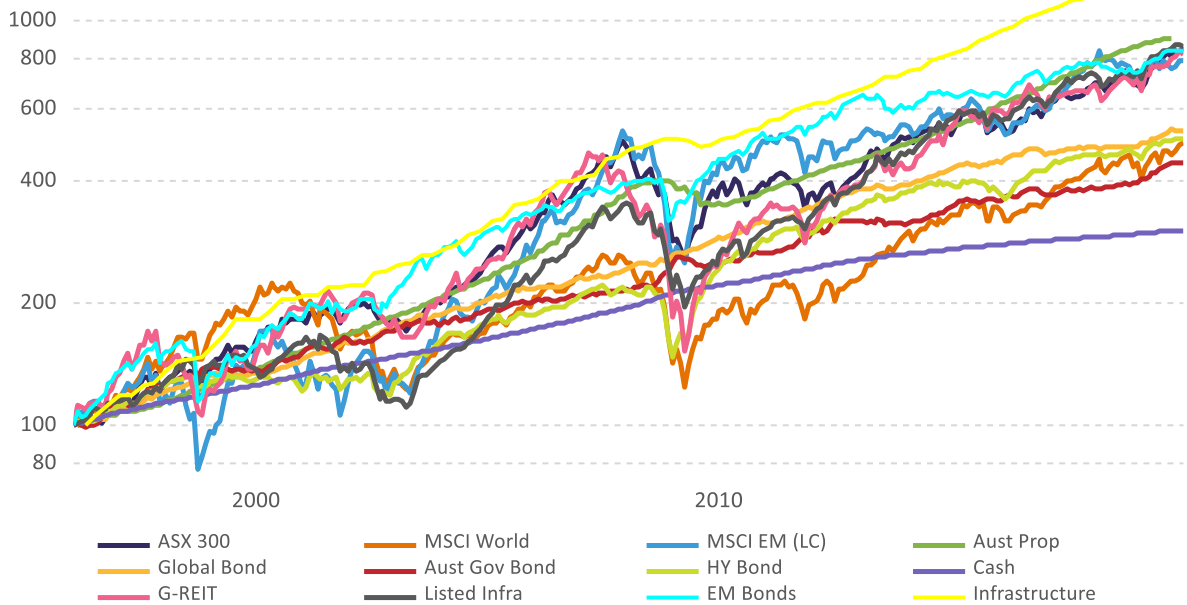
Source: Refinitiv Datastream



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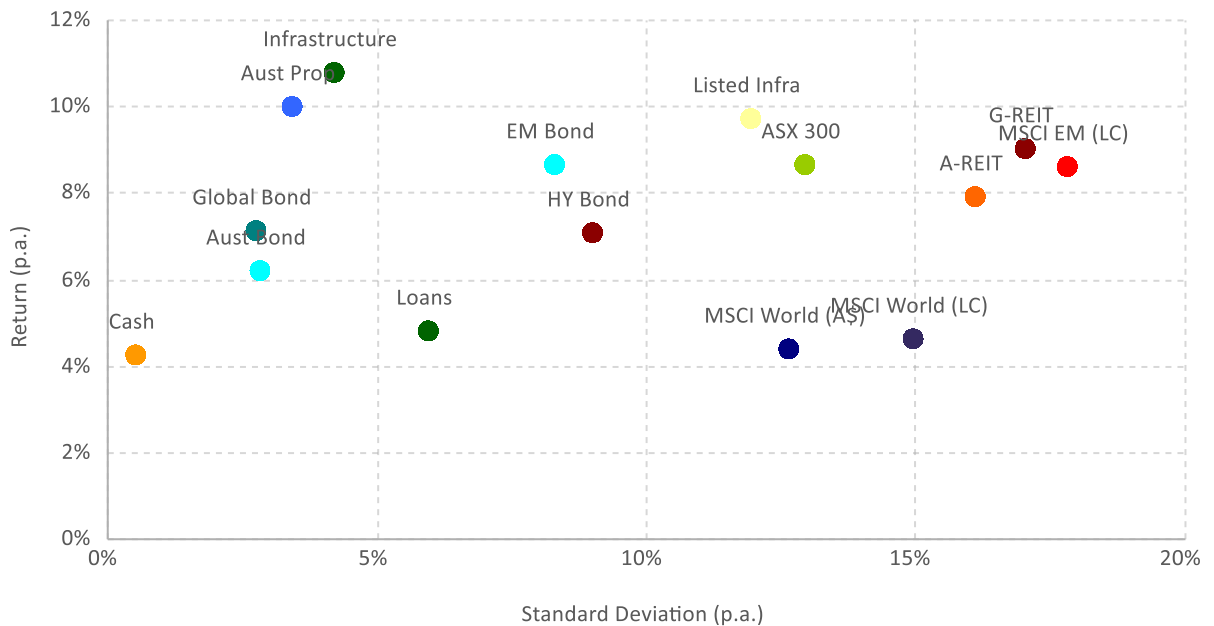
Asset Class Long-Term Returns

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



Source: Refinitiv Datastream

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



Source: Refinitiv Datastream

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