

# Monthly Market Snapshot

SEPTEMBER 2019

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

**FRONTIER**  
ADVISORS



# Market Commentary

Equity markets produced positive returns in September to continue the strong returns in 2019 year to date. Trade tensions remained a recurring issue, resulting in further slowing of global economic growth. However, after the volatility of August, investment markets were more stable in September.

Equity market performance was broad based over the month. In Australia, resources, industrials and small caps all produced positive returns and across the globe all key regions were up. Japanese equities were particularly positive, benefiting from an increase in orders driven by last minute demand before the consumption tax rate increase on 1 October.

The manufacturing sector in the US weakened further. In Europe there are looming fears of Italian and German recessions due to ongoing poor manufacturing data, particularly in the German automobile sector.

Inflation data continues to be on the low side, allowing easing monetary policy globally in response to the slowdown in economic growth. As expected, the US Federal Reserve lowered interest rates for the second time this year. The European Central bank decreased its official interest rate by a further 10 basis points to -0.50% and announced that it will restart quantitative easing.

The Reserve Bank of Australia (RBA) announced a further cut to interest rates in September, taking interest rates again to a new historic low. As it has in previous Minutes, the RBA continued to deliver a consistent message of further easing and an extended period of low interest rates to achieve full employment and its inflation target.

The Australian dollar gained against most major currencies in September. The exception was the GBP which continues to experience heightened volatility leading into the Brexit deadline date in October.

In Saudi Arabia, a drone attack on a large oil refinery means material supply is removed from the market for some time. The oil price spiked up at the time, but somewhat surprisingly, the price impact was short lived and the oil price actually fell over the month of September.

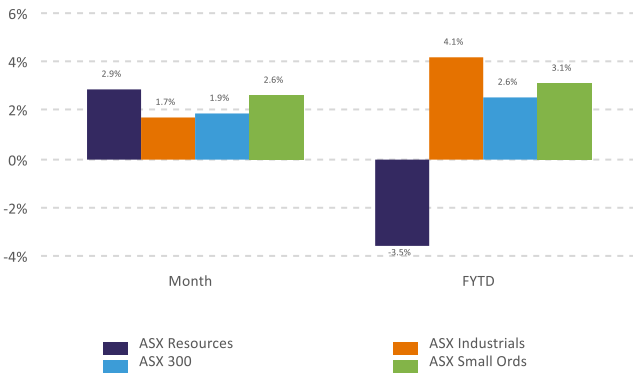
Bond markets produced a negative return in September as bond yields rose across the globe, but have still produced strong returns over the last twelve months. The Australian 10 year government bond yield is now back up to 1.0%.

Australian listed property and infrastructure had negative returns over the month as bond yields rose. However, global listed property and infrastructure followed the broad equity market and had positive returns in the month.

# September 2019



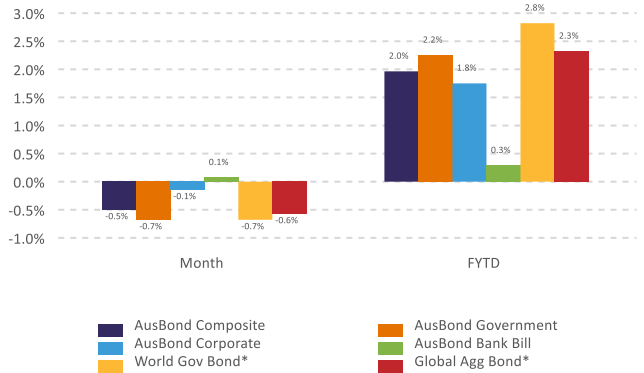
## Australian Equities



Source: Refinitiv Datastream



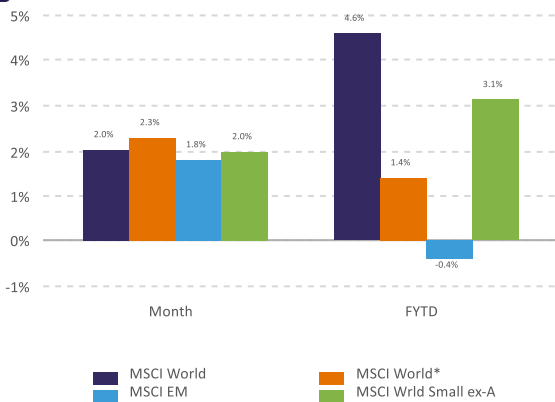
## Fixed Income



Source: Refinitiv Datastream \*Hedged AS



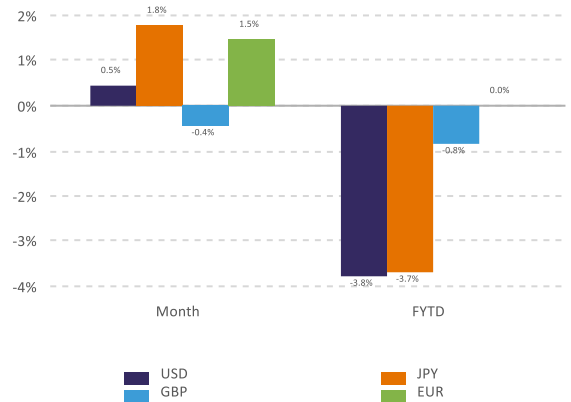
## International Equities (\$A)



Source: Refinitiv Datastream \*Hedged AS



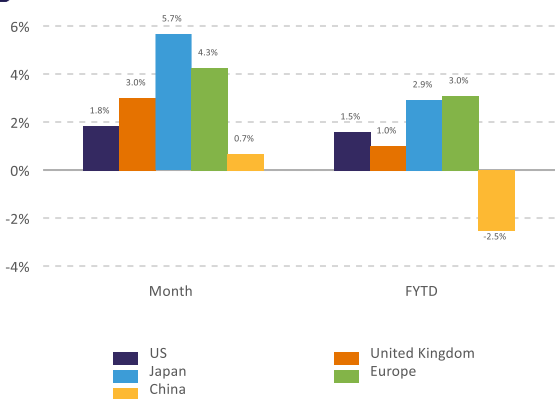
## Australian Dollar



Source: Refinitiv Datastream



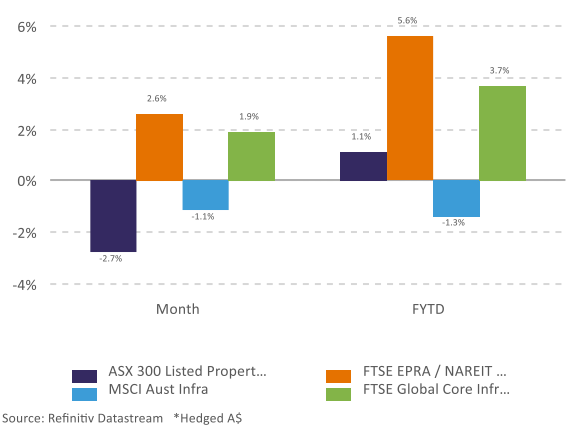
## International Equities



Source: Refinitiv Datastream











## Property



Source: Refinitiv Datastream \*Hedged AS

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

# September 2019

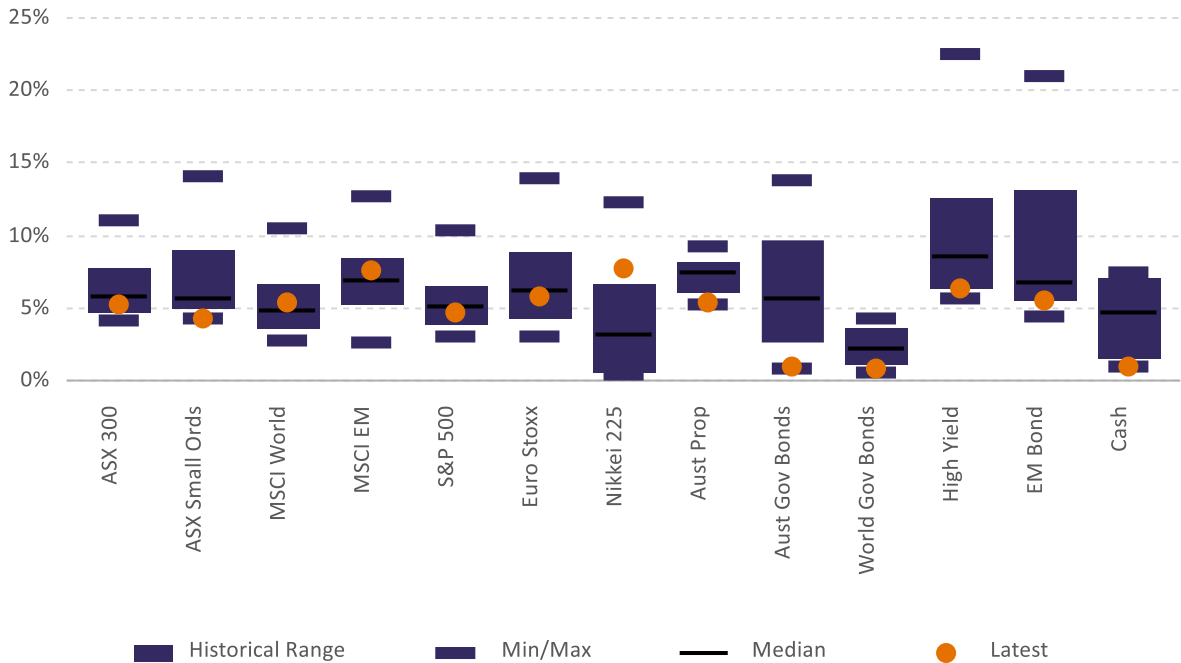
	Index value	Month	3 months	FYTD	1 year
<b>Australian Equities</b>					
 S&P/ASX 300 Accum. Index	71,154	1.9%	2.6%	2.6%	12.6%
S&P/ASX 300 Accum. Industrials Index	141,654	1.7%	4.1%	4.1%	13.2%
S&P/ASX 300 Accum. Resources Index	30,174	2.9%	-3.5%	-3.5%	10.2%
ASX Small Caps Accum. Index	8,555	2.6%	3.1%	3.1%	3.9%
<b>International Equities</b>					
 MSCI World ex-Aus Index (\$A)*	10,633	2.0%	4.7%	4.7%	9.1%
MSCI World ex-Aus Index (Hedged \$A)*	1,786	2.3%	1.3%	1.3%	1.9%
MSCI Emerging Markets Index (\$A)*	699	1.8%	-0.4%	-0.4%	5.1%
MSCI World ex-Aus Small Cap Index (\$A)	606	1.8%	2.8%	2.8%	-0.3%
US (S&P 500 Index in USD)	2,977	1.7%	1.2%	1.2%	2.2%
United Kingdom (FTSE 100 Index in GBP)	7,408	2.8%	-0.2%	-0.2%	-1.4%
Japan (Nikkei 225 Index in JPY)	21,756	5.1%	2.3%	2.3%	-9.8%
Europe (Stoxx 50 Index in EUR)	3,569	4.2%	2.8%	2.8%	5.0%
China (Shanghai Composite Index in CNY)	2,905	0.7%	-2.5%	-2.5%	3.0%
<b>AUD versus ...</b>					
 USD	0.68	0.2%	-3.8%	-3.8%	-6.5%
JPY	72.74	1.8%	-3.7%	-3.7%	-11.2%
GBP	0.55	-0.4%	-0.8%	-0.8%	-0.6%
EUR	0.62	1.5%	0.0%	0.0%	-0.5%
<b>Property</b>					
 ASX 300 Listed Property Trusts Accum. Index	58,425	-2.7%	1.1%	1.1%	18.4%
FTSE EPRA / NAREIT Dev. Index (Hedged \$A)*	2,950	2.6%	5.6%	5.6%	13.5%
<b>Oil and Commodities</b>					
 Crude Oil (\$/bbl)	54	-1.9%	-7.5%	-7.5%	-26.2%
Copper Spot (\$/tonne)	5,695	0.7%	-4.8%	-4.8%	-9.1%
Gold Spot (\$/ounce)	1,473	-3.7%	3.4%	3.4%	19.6%
<b>Australian Fixed Interest</b>					
 Bloomberg AusBond Composite Index	10,377	-0.5%	2.0%	2.0%	11.1%
Bloomberg AusBond Government Index	10,925	-0.7%	2.2%	2.2%	12.9%
Bloomberg AusBond Corporate Index	10,586	-0.1%	1.8%	1.8%	9.0%
Bloomberg AusBond Bank Bill Index	8,966	0.1%	0.3%	0.3%	1.7%
<b>Global Fixed Interest</b>					
 FTSE WGBI ex-Aus (Hedged \$A)	2,539	-0.7%	2.8%	2.8%	11.0%
Barclay's Global Agg. Bond Index (Hedged \$A)	-	-0.6%	2.3%	2.3%	9.8%
<b>Fixed Income (yields) as at ...</b>					
 Australia Bank Bill	0.94	0.97	1.21	1.21	1.93
Australia 10-Year Government Bond	1.02	0.89	1.32	1.32	2.67
US 10-Year Government Bond	1.66	1.50	2.01	2.01	3.06
UK 10-Year Government Bond	0.49	0.48	0.83	0.83	1.57
Germany 10-Year Government Bond	-0.57	-0.70	-0.33	-0.33	0.47
Japan 10-Year Government Bond	-0.21	-0.27	-0.16	-0.16	0.13

Source: Bloomberg

\*Net dividends reinvested

# Asset Class Yields Relative to History

Current Yields (equities earnings)



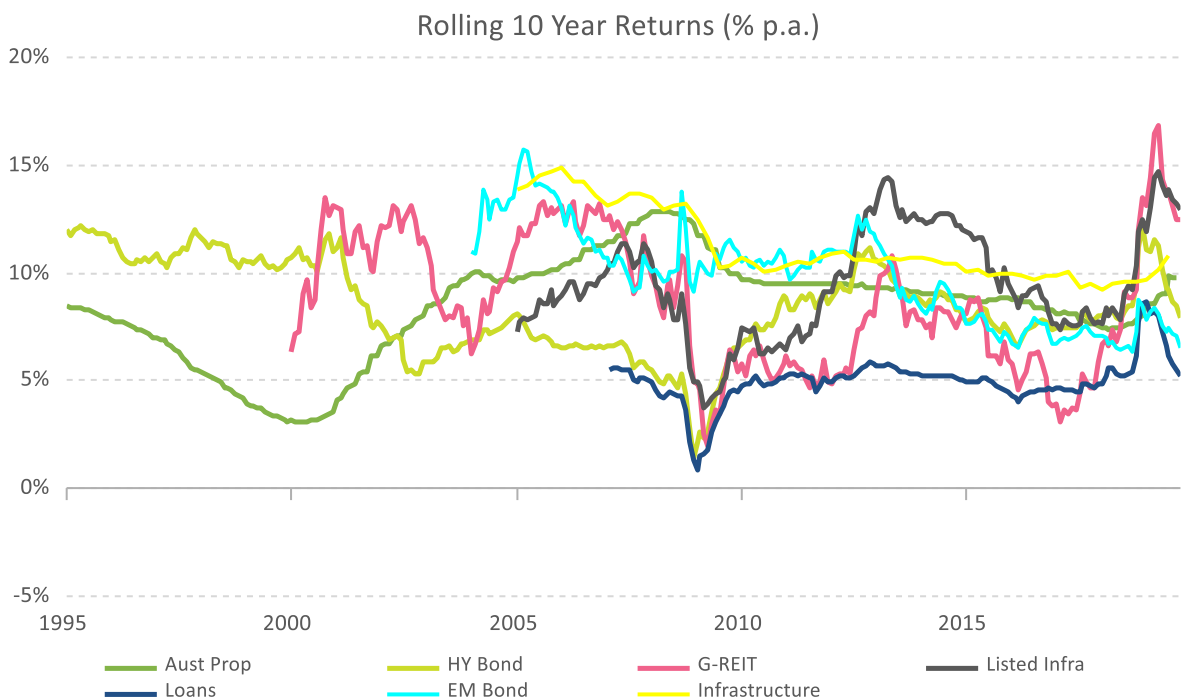
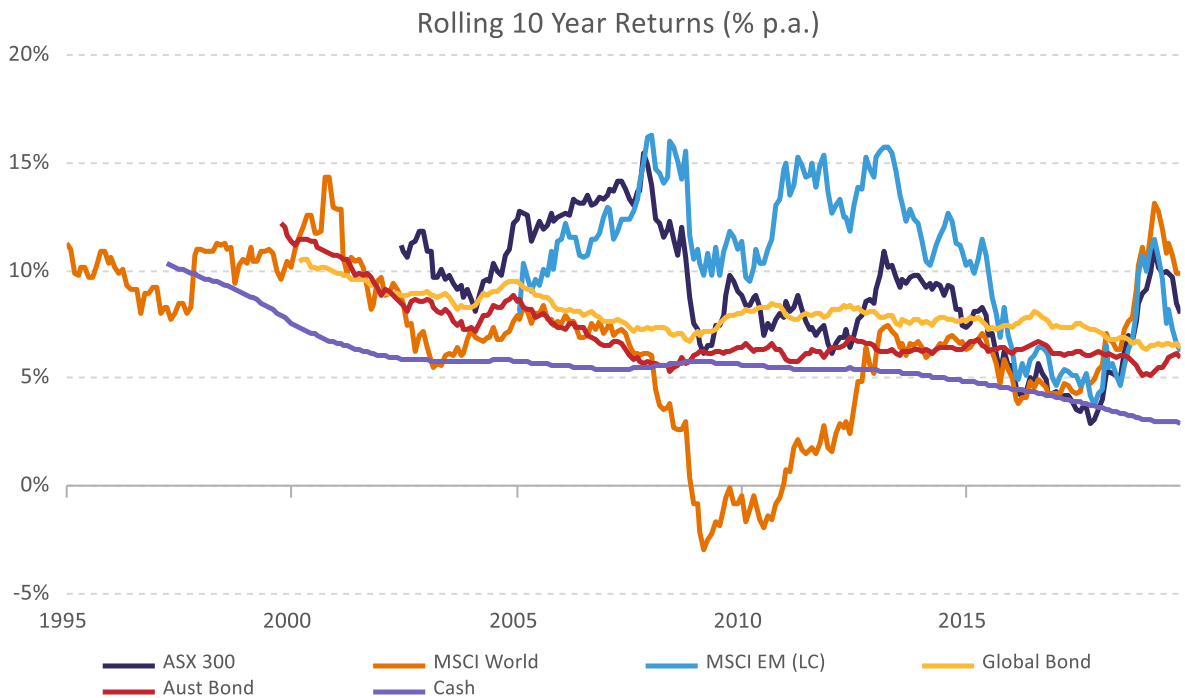
Source: Refinitiv Datastream

Relative Yields (vs bond or cash yield)



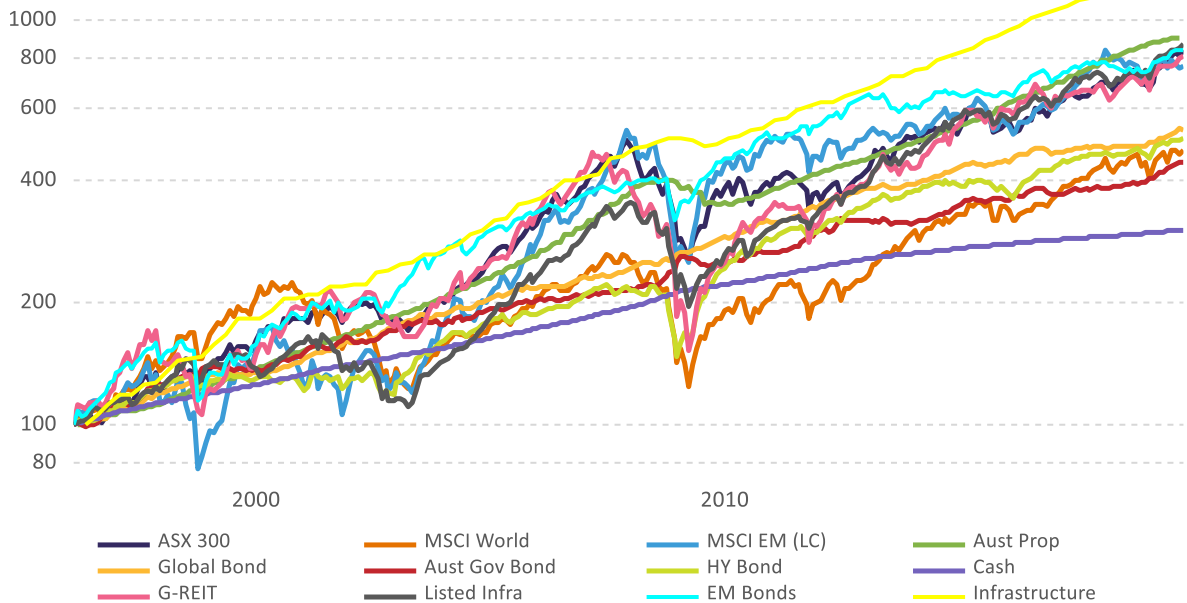
Source: Refinitiv Datastream

# Asset Class Long-Term Returns



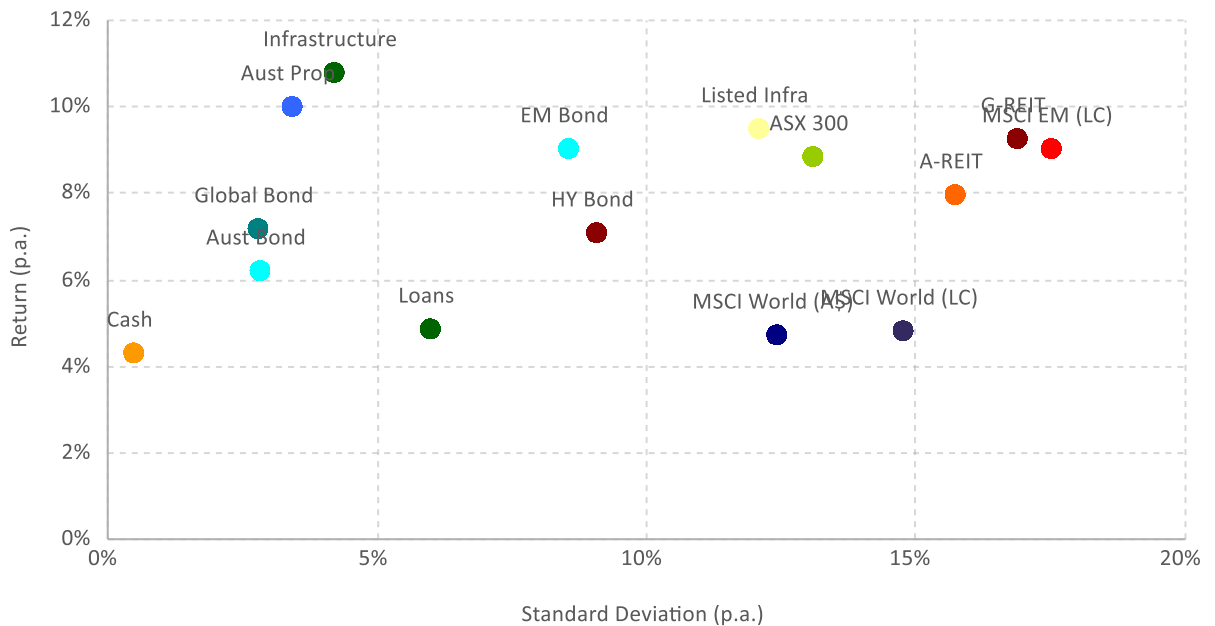
# Asset Class Long-Term Returns

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



Source: Refinitiv Datastream

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



Source: Refinitiv Datastream

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