

Monthly Market Snapshot

SEPTEMBER 2018

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

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Market Commentary

Within the domestic market, the ASX300 was down by 4.5% for September, while the 10-year bond yields hovered at 2.8%. The RBA kept the cash rate unchanged at 1.5% in its latest monetary policy meeting. Domestic GDP growth is strong, supported by robust demand from both consumers and the government – surprisingly, one of the supporting factors was housing investment. Business sentiment also remains strong but is showing some signs of peaking, while the labour market has continued to strengthen with both employment and wages growing.

Within the US, the economy continued to show signs of expansion in the third quarter despite the slowdown in momentum within the domestic economy. There are signs of cooling within the US housing market with home sales lower than expected at 5.42 million for September. The labour market continues to tighten as jobless claims declined larger than expected in September. Capital expenditure expanded with shipment of durable goods expanding 2%. Growth in the US appears strong while trade tensions continue to pose a risk in the near term.

Macroeconomic data in the Eurozone shows signs of weakening, with growth on a downward trend since its peak in the middle of 2017. Exports growth has slowed, with the slowdown led by China. The European central bank has gradually tightened monetary policy with quantitative easing slated to end in December 2018. Despite that, financial conditions remain extremely accommodative and supportive for the economy.

MSCI emerging markets continue to underperform MSCI World as the US dollar rises. Rising US interest rates and the USD dollar strength has been a detractor on emerging markets. Economic growth has held up far better than financial markets have over the past few months in the emerging world.

While some countries will continue to do well, EM growth in aggregate is now slowing and will continue to decelerate over the coming year. Worries about China's economy have grown as domestic momentum has slowed and trade tensions have escalated. Officials are ramping up policy support, but we think growth will not stabilise until the middle of 2019.

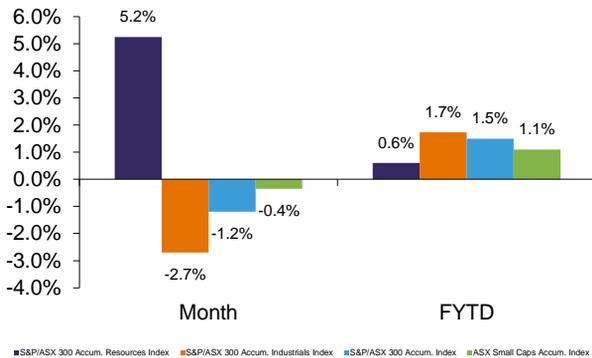
An export order downturn has negatively affected production, orders and job employment - resulting in Global PMIs hitting their lowest since November 2016. This suggests an easing of price pressures and supply constraints. The most notable weakening was seen in new export orders, which fell (albeit marginally) for the first time since June 2016. The decline represents a marked contrast to the near seven-year high rate of increase seen at the start of this year and coincides with a period of growing global trade tensions led by the US.

Overall, order books continued to grow (supported by domestic demand) but the trade slowdown meant the rate of increase slipped to the lowest level for two years. Backlogs of orders meanwhile showed the smallest rise for 23 months as production expanded at a rate that outpaced new order inflows, albeit with production growth also hitting a two-year low.

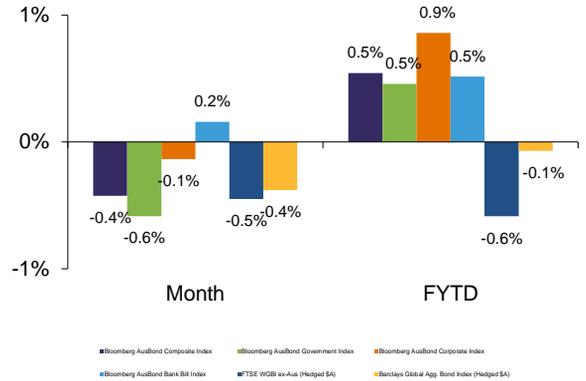
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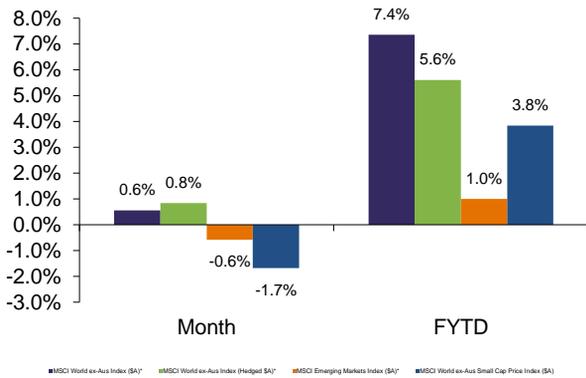
Australian equities



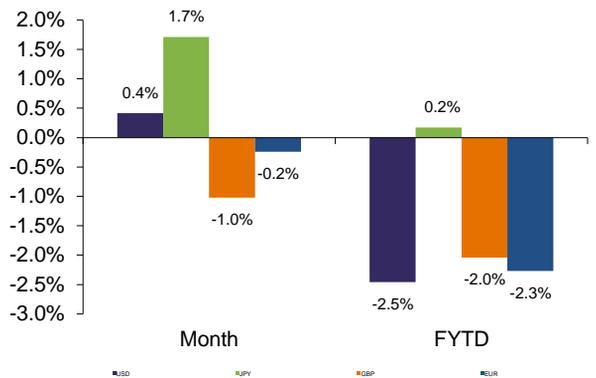
Fixed income



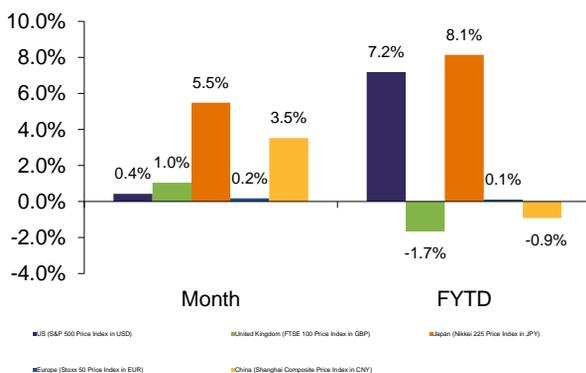
International Equities (\$A)



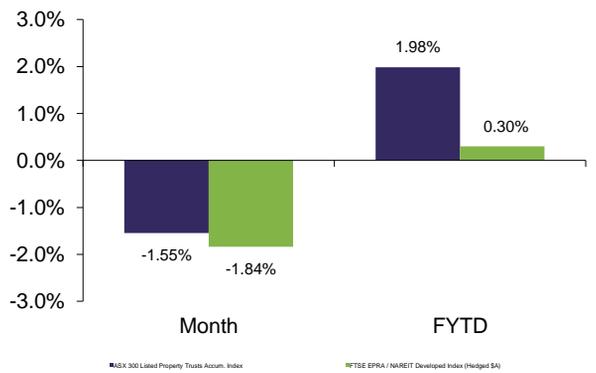
Australian dollar



International Equities



Property



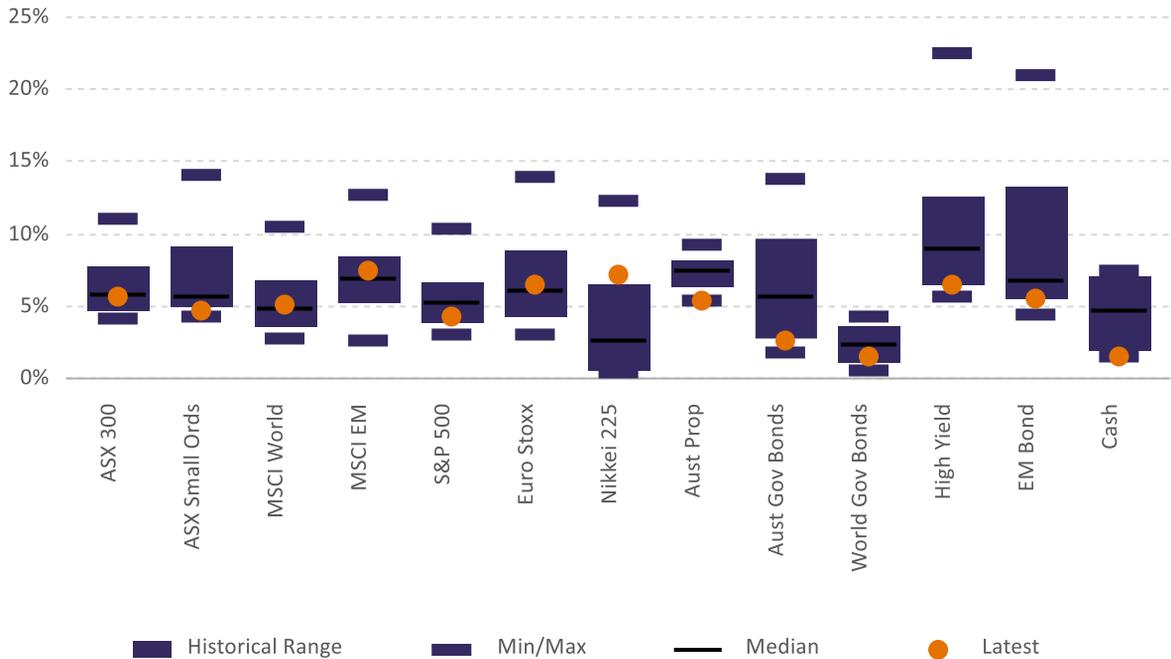
SEPTEMBER 2018

	Index value	Month	3 months	FYTD	1 year	
Australian equities						
	S&P/ASX 300 Accum. Index	63,210	-1.2%	1.5%	1.5%	14.0%
	S&P/ASX 300 Accum. Industrials Index	125,183	-2.7%	1.7%	1.7%	10.8%
	S&P/ASX 300 Accum. Resources Index	27,378	5.2%	0.6%	0.6%	29.2%
	ASX Small Caps Accum. Index	8,230	-0.4%	1.1%	1.1%	20.3%
International equities						
	MSCI World ex-Aus Index (\$A)*	9,743	0.6%	7.4%	7.4%	20.8%
	MSCI World ex-Aus Index (Hedged \$A)*	1,753	0.8%	5.6%	5.6%	12.9%
	MSCI Emerging Markets Index (\$A)*	665	-0.6%	1.0%	1.0%	7.6%
	MSCI World ex-Aus Small Cap Index (\$A)	608	-1.7%	3.8%	3.8%	17.8%
	US (S&P 500 Index in USD)	2,914	0.4%	7.2%	7.2%	15.7%
	United Kingdom (FTSE 100 Index in GBP)	7,510	1.0%	-1.7%	-1.7%	1.9%
	Japan (Nikkei 225 Index in JPY)	24,120	5.5%	8.1%	8.1%	18.5%
	Europe (Stoxx 50 Index in EUR)	3,399	0.2%	0.1%	0.1%	-5.4%
	China (Shanghai Composite Index in CNY)	2,821	3.5%	-0.9%	-0.9%	-15.8%
AUD versus ...						
	USD	0.72	0.4%	-2.5%	-2.5%	-7.8%
	JPY	81.96	1.7%	0.2%	0.2%	-7.2%
	GBP	0.55	-1.0%	-2.0%	-2.0%	-5.6%
	EUR	0.62	-0.2%	-2.3%	-2.3%	-6.9%
Property						
	ASX 300 Listed Property Trusts Accum. Index	49,352	-1.5%	2.0%	2.0%	13.2%
	FTSE EPRA / NAREIT Dev. Index (Hedged \$A)*	2,600	-1.8%	0.3%	0.3%	5.6%
Oil and Commodities						
	Crude Oil (\$/bbl)	73	4.9%	-1.2%	-1.2%	41.8%
	Copper Spot (\$/tonne)	6,264	5.0%	-5.5%	-5.5%	-2.6%
	Gold Spot (\$/ounce)	1,196	-0.9%	-5.5%	-5.5%	-8.6%
Australian Fixed Interest						
	Bloomberg AusBond Composite Index	9,338	-0.4%	0.5%	0.5%	3.7%
	Bloomberg AusBond Government Index	9,674	-0.6%	0.5%	0.5%	3.9%
	Bloomberg AusBond Corporate Index	9,708	-0.1%	0.9%	0.9%	3.9%
	Bloomberg AusBond Bank Bill Index	8,812	0.2%	0.5%	0.5%	1.9%
Global Fixed Interest						
	FTSE WGBI ex-Aus (Hedged \$A)	2,288	-0.5%	-0.6%	-0.6%	1.0%
	Barclay's Global Agg. Bond Index (Hedged \$A)	-	-0.4%	-0.1%	-0.1%	0.9%
Fixed income (yields) as at ...						
	Australia Bank Bill	30-Sep-18	31-Aug-18	30-Jun-18	30-Jun-18	30-Sep-17
	Australia 10 Year Government Bond	1.93	1.95	2.10	2.10	1.71
	US 10 Year Government Bond	2.67	2.52	2.63	2.63	2.84
	UK 10 Year Government Bond	3.06	2.86	2.86	2.86	2.33
	Germany 10 Year Government Bond	1.57	1.43	1.28	1.28	1.37
	Japan 10 Year Government Bond	0.47	0.33	0.30	0.30	0.46
		0.13	0.11	0.04	0.04	0.07

* Net dividends reinvested

Asset Class Yields Relative to History

Current Yields (equities earnings)



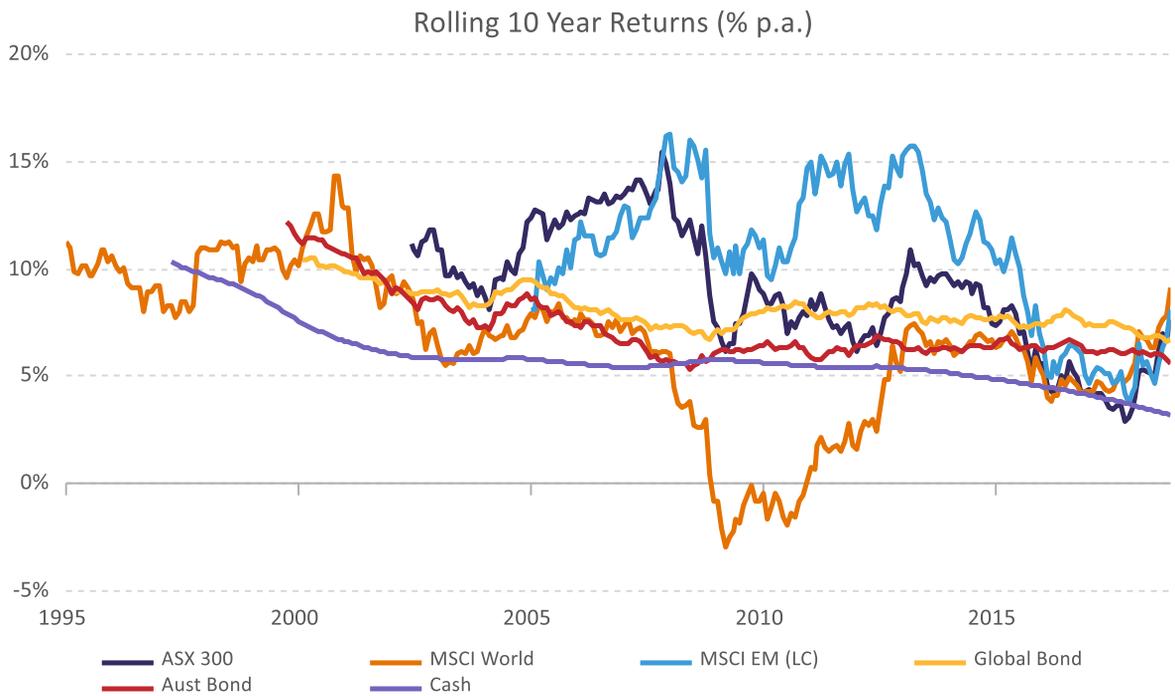
Source: Thomson Reuters Datastream

Relative Yields (vs bond or cash yield)



Source: Thomson Reuters Datastream

Asset Class Long-Term Returns



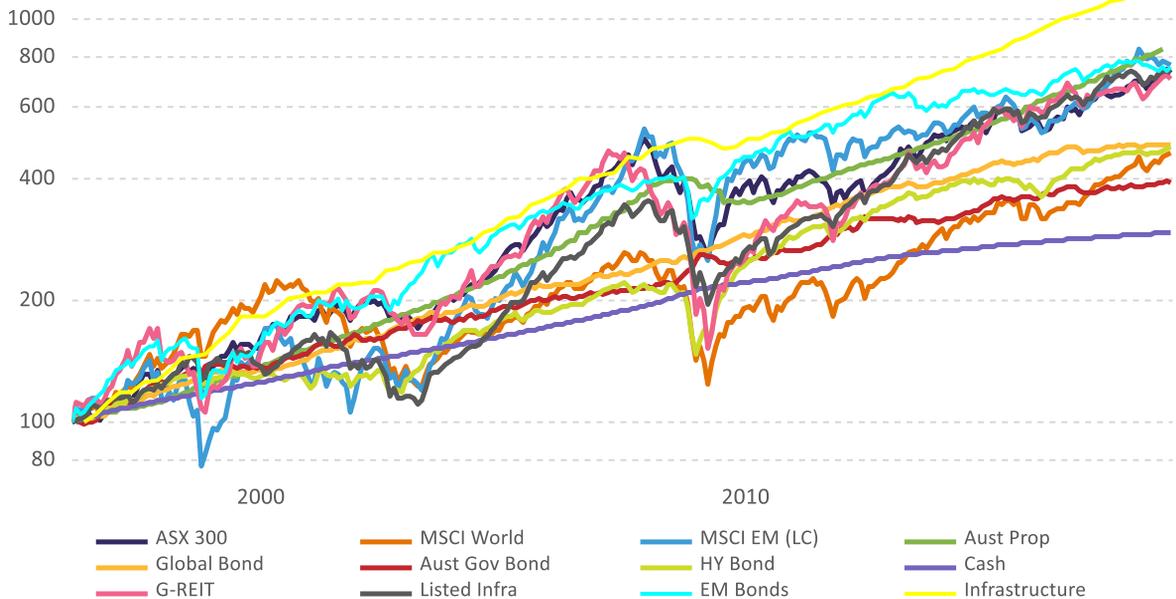
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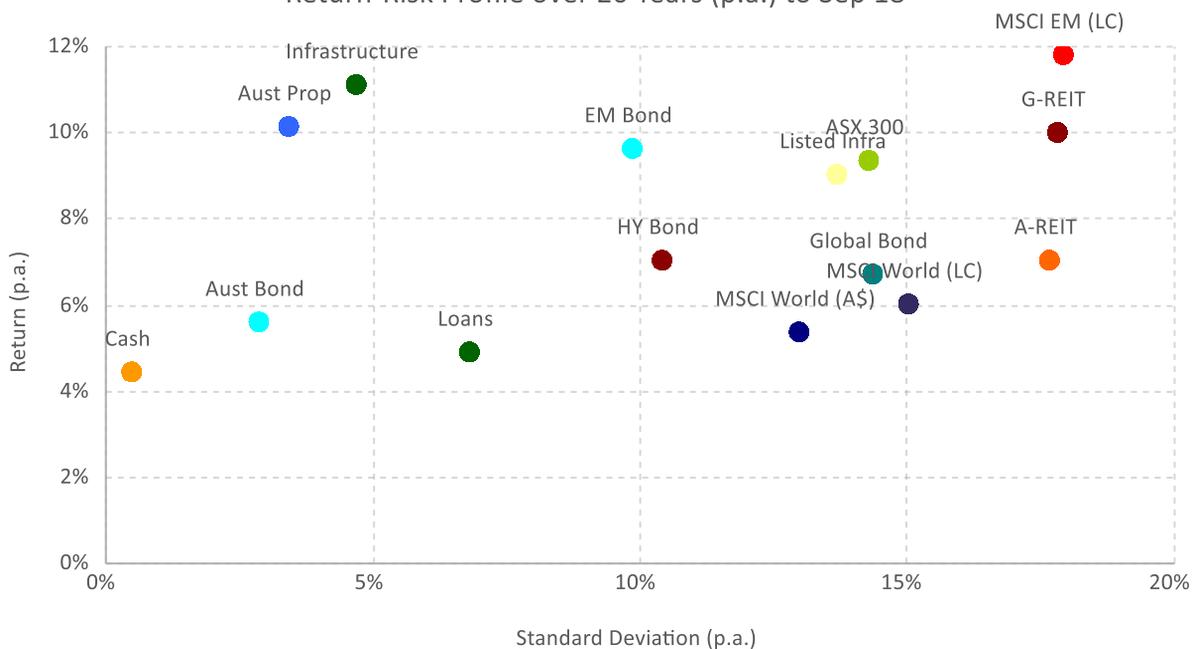
Asset Class Long-Term Returns

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



Source: Thomson Reuters Datastream

Return-Risk Profile over 20 Years (p.a.) to Sep 18



Source: Thomson Reuters Datastream

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