

# Monthly Market Snapshot

JULY 2019

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

**FRONTIER**  
ADVISORS



# Market Commentary

Equity markets were generally positive in July. Australian small caps outperformed in the month after trailing last financial year, while resources produced more moderate returns after strong returns last year. European equities produced a small negative return in the month, as the economic outlook continued to deteriorate, particularly in Germany.

Globally monetary policy is expected to move to easing. The European Central Bank (ECB) announced interest rates would remain unchanged and indicated they would remain at lower levels through until at least the first half of 2020.

The US Federal Reserve (the Fed) lowered interest rates for the first time in 11 years by 0.25%, as inflation remains subdued. The Fed noted that the US unemployment rate remains low and jobs gains are strong. However, the manufacturing sector continues to weaken with the July Purchasing Managers' Index (PMI) survey data suggesting a looming contraction, and the trade dispute is starting to have a negative impact on sentiment.

Chinese equities were one of the few markets to fall over the month, amid ongoing concern of the trade dispute. After the month end, there was a re-escalation of the trade dispute with Donald Trump's announcement that he would impose further tariffs on more Chinese imports; in response China is halting imports of US agriculture goods. This development has caused markets to fall sharply in the days post month end, including a large drop in the oil price.

In addition, the Chinese currency (RMB) has devalued in August to date, breaking through the 7 RMB to 1 USD level for the first time since 2008.

Although the timing of the RMB devaluation suggests it is in response to the new tariffs, other EM FX have also depreciated suggesting it is also partly impacted by the general risk-off reaction.

Bond yields continued to fall contributing to positive returns from bonds. The Australian 10 year government bond yield at the end of July is at a new historic low yield of only 1.2%.

The Australian dollar fell against the US Dollar and Japanese Yen in July. However, the British Pound (GBP) fell in response to the appointment of Boris Johnson as Prime Minister and his rhetoric on a hard Brexit; exiting the EU with no deal in October.

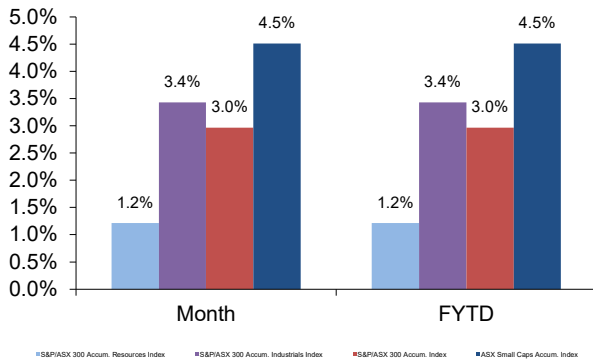
Australian listed property (A-REITS) continued its strong performance, benefiting from the fall in bond yields. A-REITS is one of the best performed investments over the last year.

The RBA announced a further rate cut in July and noted it was willing to ease monetary policy further if required. Economic growth has been lower than the RBA expected, but the RBA expects that "growth in Australia is expected to strengthen gradually from here".

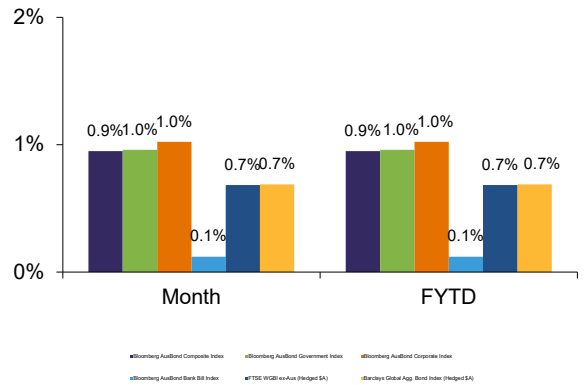
# July 2019



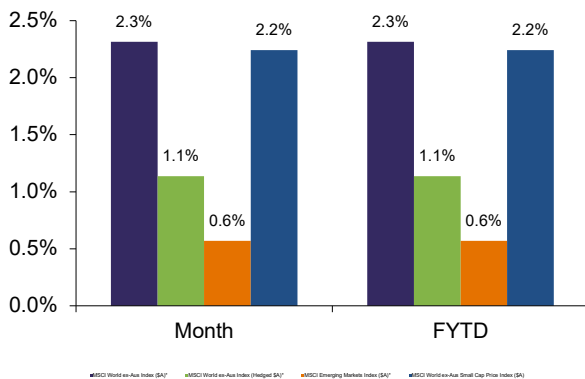
## Australian Equities



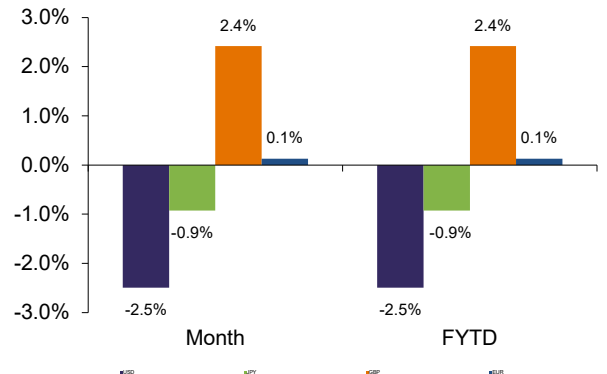
## Fixed Income



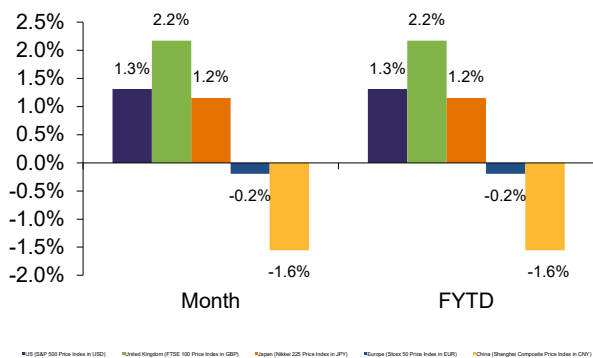
## International Equities (\$A)



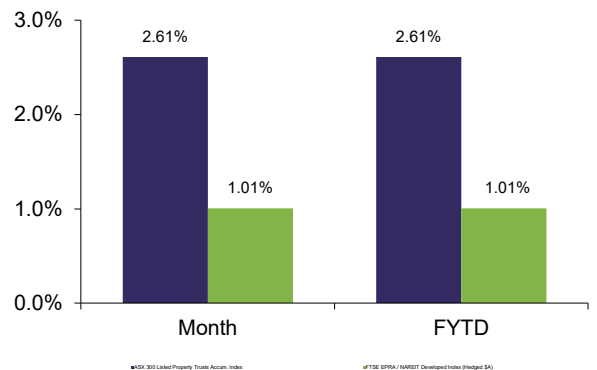
## Australian Dollar



## International Equities











## Property



Source: Bloomberg

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

# July 2019

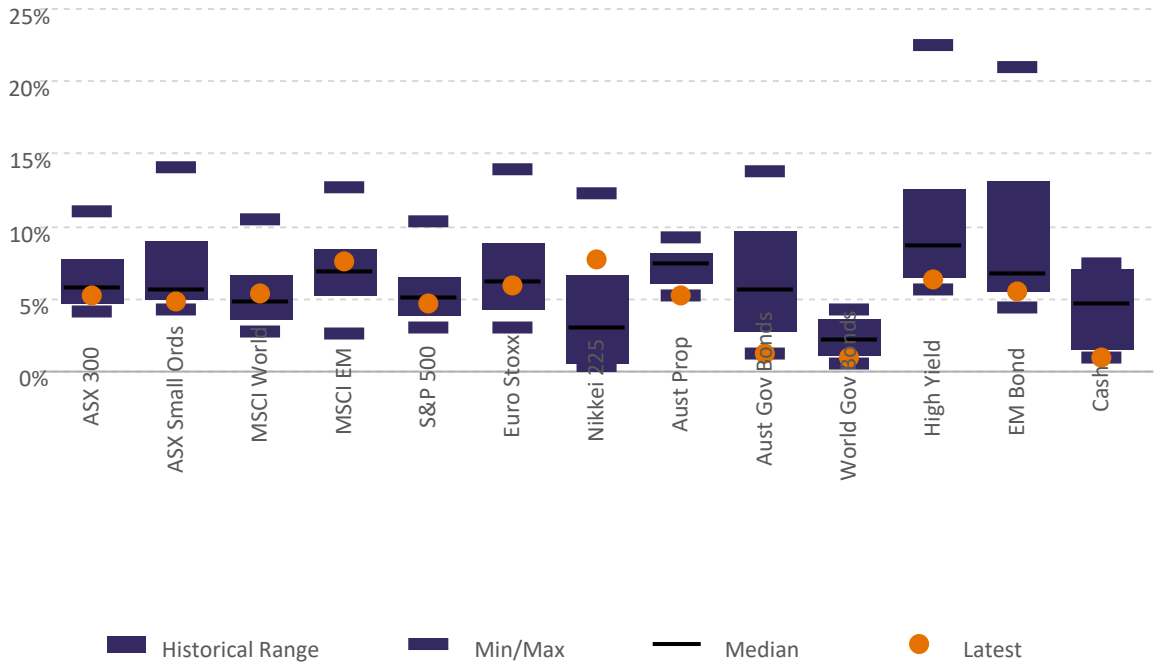
	Index value	Month	3 months	FYTD	1 year
<b>Australian Equities</b>					
 S&P/ASX 300 Accum. Index	71,445	3.0%	8.6%	3.0%	13.2%
S&P/ASX 300 Accum. Industrials Index	140,681	3.4%	8.5%	3.4%	12.5%
S&P/ASX 300 Accum. Resources Index	31,662	1.2%	9.0%	1.2%	16.3%
ASX Small Caps Accum. Index	8,671	4.5%	4.1%	4.5%	7.6%
<b>International Equities</b>					
 MSCI World ex-Aus Index (\$A)*	10,395	2.3%	2.9%	2.3%	11.7%
MSCI World ex-Aus Index (Hedged \$A)*	1,783	1.1%	0.7%	1.1%	4.1%
MSCI Emerging Markets Index (\$A)*	706	0.6%	-0.6%	0.6%	5.5%
MSCI World ex-Aus Small Cap Index (\$A)	603	2.2%	1.0%	2.2%	2.4%
US (S&P 500 Index in USD)	2,980	1.3%	1.2%	1.3%	5.8%
United Kingdom (FTSE 100 Index in GBP)	7,587	2.2%	2.3%	2.2%	-2.1%
Japan (Nikkei 225 Index in JPY)	21,522	1.2%	-3.3%	1.2%	-4.6%
Europe (Stoxx 50 Index in EUR)	3,467	-0.2%	-1.4%	-0.2%	-1.7%
China (Shanghai Composite Index in CNY)	2,933	-1.6%	-4.7%	-1.6%	2.0%
<b>AUD versus ...</b>					
 USD	0.68	-2.5%	-2.9%	-2.5%	-7.8%
JPY	74.84	-0.9%	-4.7%	-0.9%	-9.5%
GBP	0.57	2.4%	4.2%	2.4%	0.1%
EUR	0.62	0.1%	-1.9%	0.1%	-2.6%
<b>Property</b>					
 ASX 300 Listed Property Trusts Accum. Index	59,281	2.6%	9.3%	2.6%	21.3%
FTSE EPRA / NAREIT Dev. Index (Hedged \$A)*	2,820	1.0%	1.6%	1.0%	7.8%
<b>Oil and Commodities</b>					
 Crude Oil (\$/bbl)	59	0.2%	-8.3%	0.2%	-14.8%
Copper Spot (\$/tonne)	5,902	-1.3%	-8.2%	-1.3%	-6.0%
Gold Spot (\$/ounce)	1,438	0.9%	10.3%	0.9%	13.2%
<b>Australian Fixed Interest</b>					
 Bloomberg AusBond Composite Index	10,273	0.9%	3.7%	0.9%	10.4%
Bloomberg AusBond Government Index	10,789	1.0%	4.2%	1.0%	11.9%
Bloomberg AusBond Corporate Index	10,508	1.0%	3.1%	1.0%	8.9%
Bloomberg AusBond Bank Bill Index	8,951	0.1%	0.4%	0.1%	1.9%
<b>Global Fixed Interest</b>					
 FTSE WGBI ex-Aus (Hedged \$A)	2,486	0.7%	3.8%	0.7%	8.2%
Barclay's Global Agg. Bond Index (Hedged \$A)	-	0.7%	3.4%	0.7%	7.9%
<b>Fixed Income (yields) as at ...</b>					
 Australia Bank Bill	31-Jul-19	30-Jun-19	30-Apr-19	30-Jun-19	30-Jun-18
Australia 10-Year Government Bond	1.04	1.21	1.56	1.21	1.96
US 10-Year Government Bond	1.19	1.32	1.79	1.32	2.65
UK 10-Year Government Bond	2.01	2.01	2.50	2.01	2.96
Germany 10-Year Government Bond	0.61	0.83	1.19	0.83	1.33
Japan 10-Year Government Bond	-0.44	-0.33	0.01	-0.33	0.44
	-0.15	-0.16	-0.04	-0.16	0.06

Source: Bloomberg

\*Net dividends reinvested

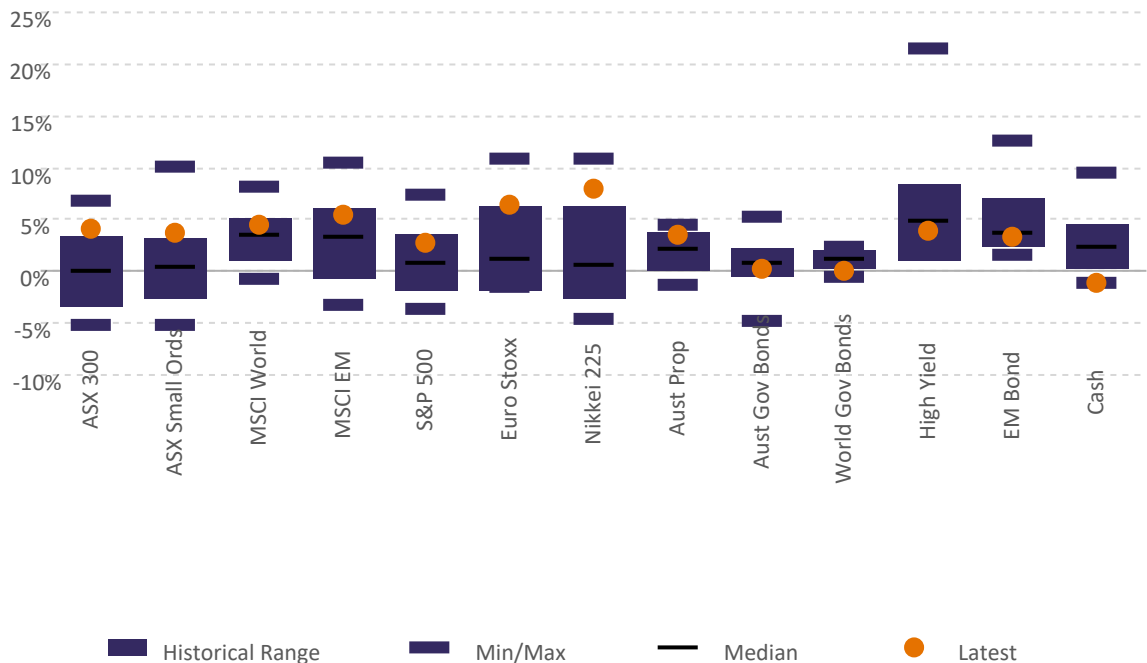
# Asset Class Yields Relative to History

Current Yields (equities earnings)



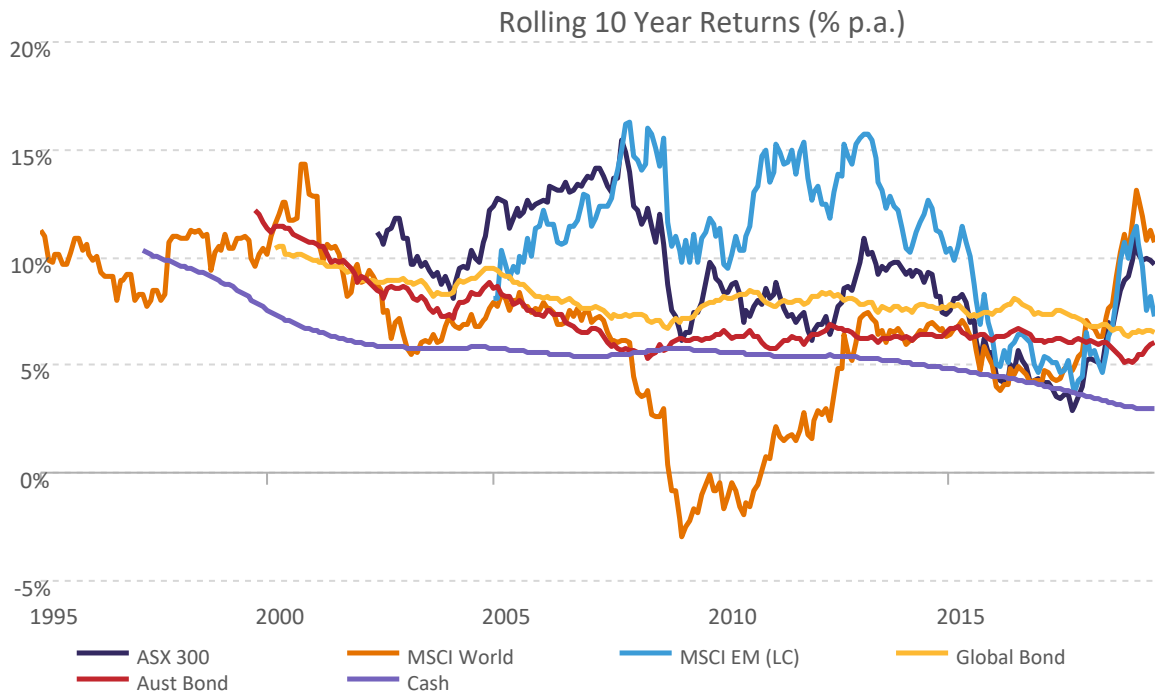
Source: Refinitiv Datastream

Relative Yields (vs bond or cash yield)

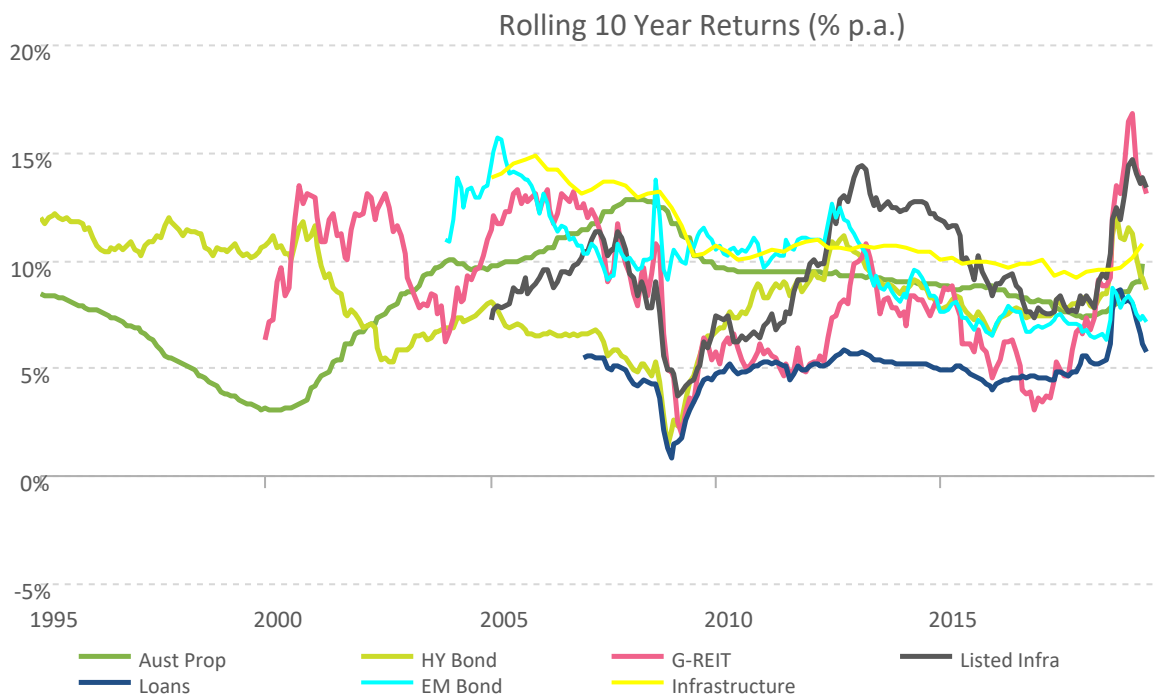


Source: Refinitiv Datastream

# Asset Class Long-Term Returns



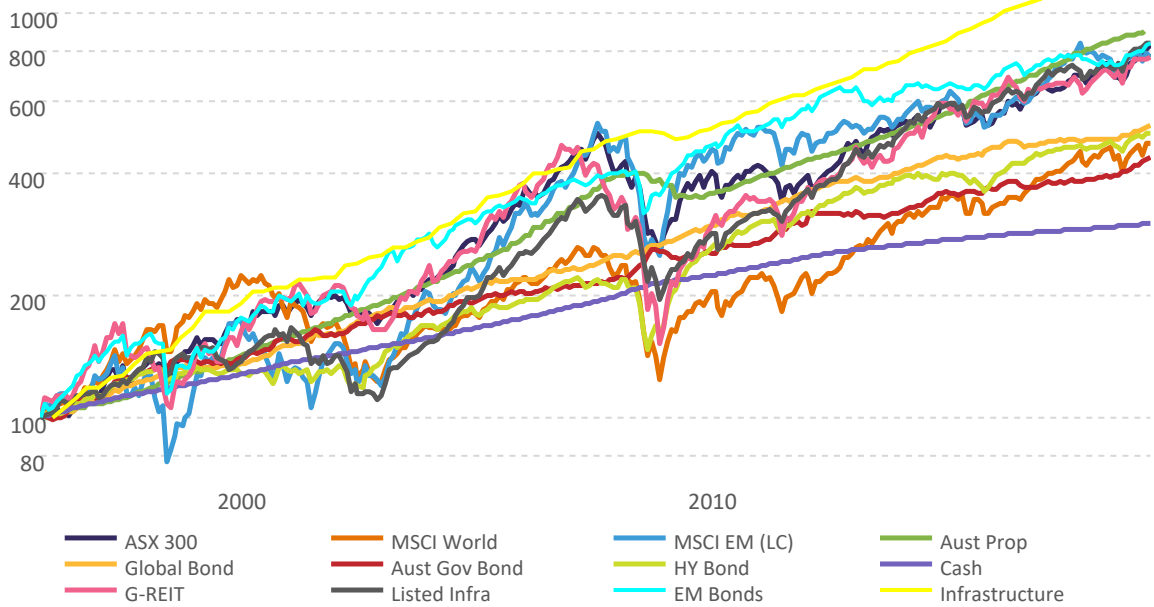
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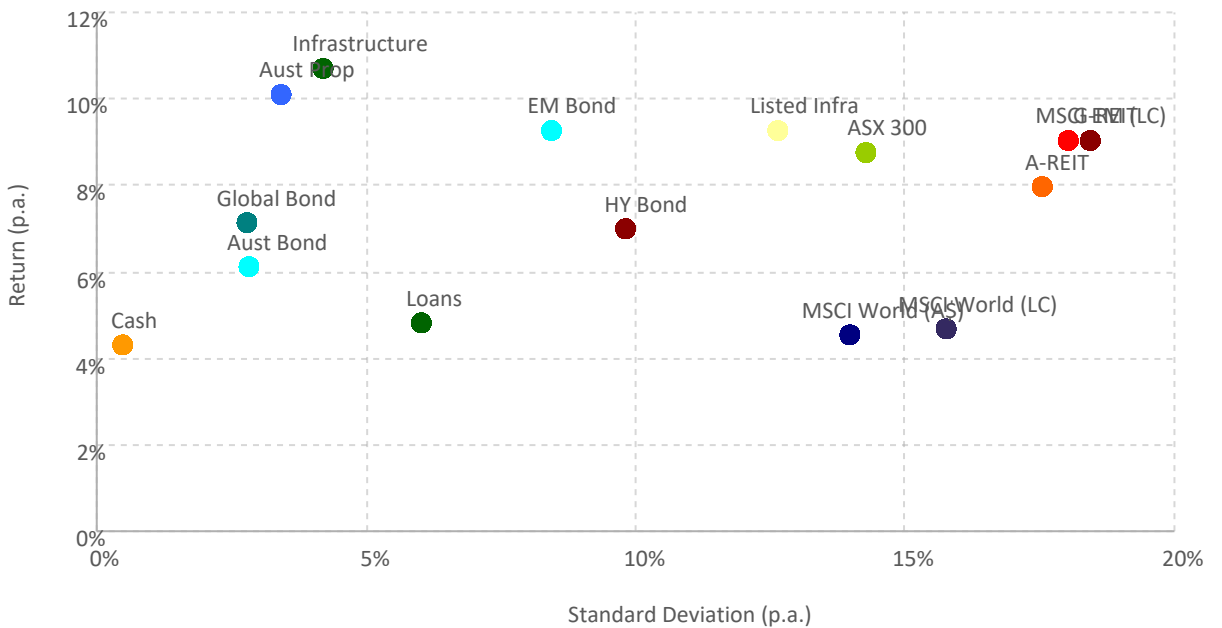
# Asset Class Long-Term Returns

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



Source: Refinitiv Datastream

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



Source: Refinitiv Datastream

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