

Monthly Market Snapshot

FEBRUARY 2019

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

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Market Commentary

Despite a rocky end to 2018, equity markets across major regions (especially in developed markets) have rebounded and stabilised in February. On a financial year to date basis, MSCI World ex Australia and domestic equities (local currency) have outperformed emerging market equities. Despite the concerns of a global slowdown, equity markets have regained some momentum after the correction in Q4 2018.

Inflationary pressures on the global front remained relatively contained, with key regions such as Europe and China registering weaker than expected inflation in Q4 2018. Wage growth on a global level continues to be strong. However, that strength is not consistent across all developed markets, with some parts of Europe having relatively high levels of youth unemployment.

In the US, the fourth quarter GDP growth was softer than the third quarter, as expected given the government shutdown that took place in December 2018. Inflationary pressure in the US for PCE was reported at 1.7% while CPI was announced as 1.5%. Market expectations for inflation in the near term are below 2.0%. The US Federal Reserve kept their official Federal Funds rate range unchanged at 2.3%-2.5%.

However, recent remarks by the Federal Reserve Chairperson suggested a less aggressive stance on future rate hikes compared to the monetary policy meeting in December 2018. The change in tone reflects a central bank more sensitive to financial market stability and economic outlook. The US labour market continues on an overall upward trend with a marginal softening of 0.1% in wage growth data in the month of January 2019. US capital expenditure has softened in Q4 2018 but overall remains fairly moderate.

Within the Eurozone, broad-based macroeconomic data has softened.

The European Central Bank has officially ended its asset purchase program but remains committed in keeping interest rates negative in support of the Eurozone economy. The Eurozone unemployment rate has fallen further to 6.7%; below its long-term average. Exports from the Eurozone continue to trend downwards primarily driven by a slowdown in export demand from China.

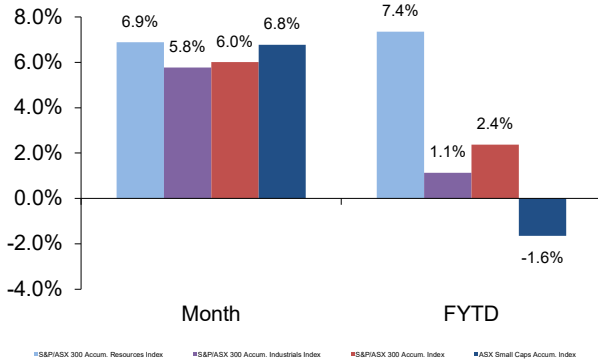
The Chinese economy continues to slow as deleveraging and trade related weakness persist in the domestic economy. Recent changes to the domestic coal import policy at selected ports in China have resulted in a negative impact on coal exports from Australia. China has announced it predicts a weaker than expected economic growth in 2019 at 6.0 – 6.5 %, a marginal drop of 0.1% compared to 2018's growth rate.

Domestically, the RBA announced there will be no changes to the cash rate target of 1.5%. The RBA dropped its tightening stance, emphasising the next move on the cash rate could be an equal possibility of a hike or a cut. Business sentiment on new orders and business confidence remained below trend since tumbling in Q4 2018. Despite strength in the number of jobs added to the domestic labour market, the ANZ measure of advertisements fell another 0.9% in February. This is a fourth consecutive drop in the measure.

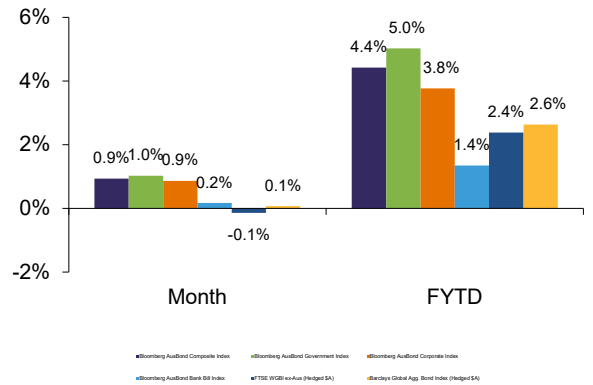
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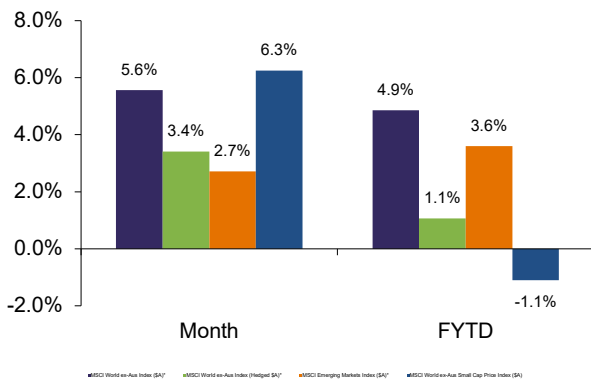
Australian Equities



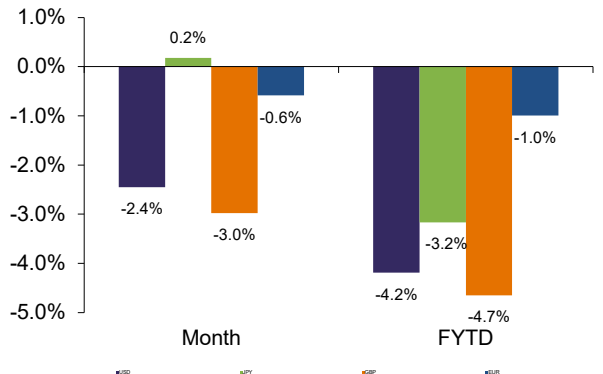
Fixed Income



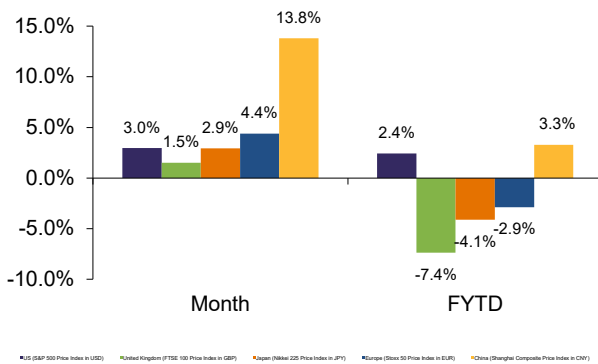
International Equities (\$A)



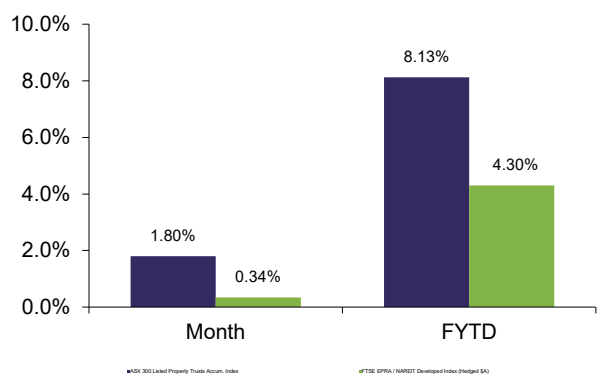
Australian Dollar



International Equities











Property



Source: Bloomberg

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

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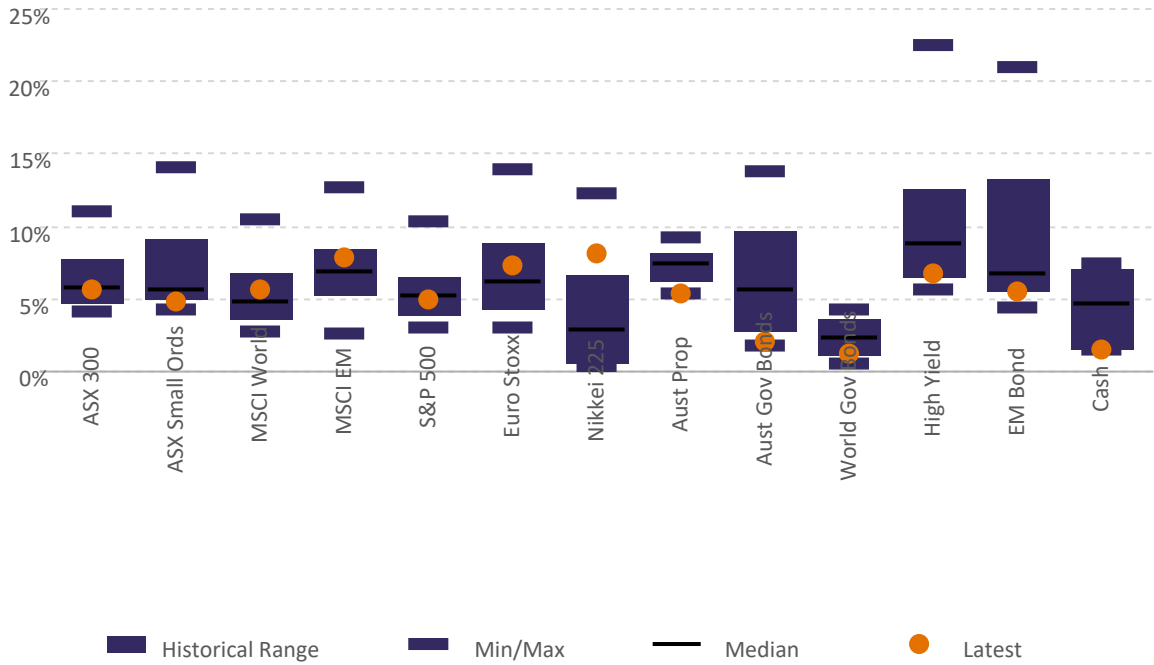
	Index value	Month	3 months	FYTD	1 year	
Australian Equities						
	S&P/ASX 300 Accum. Index	63,749	6.0%	9.9%	2.4%	6.8%
	S&P/ASX 300 Accum. Industrials Index	124,437	5.8%	7.0%	1.1%	3.9%
	S&P/ASX 300 Accum. Resources Index	29,216	6.9%	22.2%	7.4%	19.1%
	ASX Small Caps Accum. Index	8,006	6.8%	8.0%	-1.6%	3.5%
International Equities						
	MSCI World ex-Aus Index (\$A)*	9,517	5.6%	5.2%	4.9%	10.1%
	MSCI World ex-Aus Index (Hedged \$A)*	1,677	3.4%	1.5%	1.1%	2.4%
	MSCI Emerging Markets Index (\$A)*	683	2.7%	8.9%	3.6%	-1.3%
	MSCI World ex-Aus Small Cap Index (\$A)	579	6.3%	6.2%	-1.1%	7.1%
	US (S&P 500 Index in USD)	2,784	3.0%	0.9%	2.4%	2.6%
	United Kingdom (FTSE 100 Index in GBP)	7,075	1.5%	1.4%	-7.4%	-2.2%
	Japan (Nikkei 225 Index in JPY)	21,385	2.9%	-4.3%	-4.1%	-3.1%
	Europe (Stoxx 50 Index in EUR)	3,298	4.4%	3.9%	-2.9%	-4.1%
	China (Shanghai Composite Index in CNY)	2,941	13.8%	13.6%	3.3%	-9.8%
AUD versus ...						
	USD	0.71	-2.4%	-3.0%	-4.2%	-8.6%
	JPY	79.23	0.2%	-4.5%	-3.2%	-5.1%
	GBP	0.54	-3.0%	-6.2%	-4.7%	-4.2%
	EUR	0.63	-0.6%	-2.2%	-1.0%	-1.5%
Property						
	ASX 300 Listed Property Trusts Accum. Index	52,324	1.8%	9.7%	8.1%	18.9%
	FTSE EPRA / NAREIT Dev. Index (Hedged \$A)*	2,703	0.3%	3.7%	4.3%	14.6%
Oil and Commodities						
	Crude Oil (\$/bbl)	57	6.4%	12.4%	-22.8%	-7.2%
	Copper Spot (\$/tonne)	6,556	6.6%	5.3%	-1.0%	-4.9%
	Gold Spot (\$/ounce)	1,316	-0.7%	6.8%	3.0%	-2.8%
Australian Fixed Interest						
	Bloomberg AusBond Composite Index	9,698	0.9%	3.1%	4.4%	6.2%
	Bloomberg AusBond Government Index	10,114	1.0%	3.7%	5.0%	7.1%
	Bloomberg AusBond Corporate Index	9,988	0.9%	2.3%	3.8%	5.0%
	Bloomberg AusBond Bank Bill Index	8,886	0.2%	0.5%	1.4%	2.0%
Global Fixed Interest						
	FTSE WGBI ex-Aus (Hedged \$A)	2,356	-0.1%	2.4%	2.4%	3.8%
	Barclay's Global Agg. Bond Index (Hedged \$A)	-	0.1%	2.5%	2.6%	3.6%
Fixed Income (yields) as at ...						
		28-Feb-19	31-Jan-19	30-Nov-18	30-Jun-18	28-Feb-18
	Australia Bank Bill	1.87	2.06	1.95	2.10	1.79
	Australia 10-Year Government Bond	2.10	2.24	2.59	2.63	2.81
	US 10-Year Government Bond	2.72	2.63	2.99	2.86	2.86
	UK 10-Year Government Bond	1.30	1.22	1.36	1.28	1.50
	Germany 10-Year Government Bond	0.18	0.15	0.31	0.30	0.66
	Japan 10-Year Government Bond	-0.02	0.01	0.09	0.04	0.05

Source: Bloomberg

*Net dividends reinvested

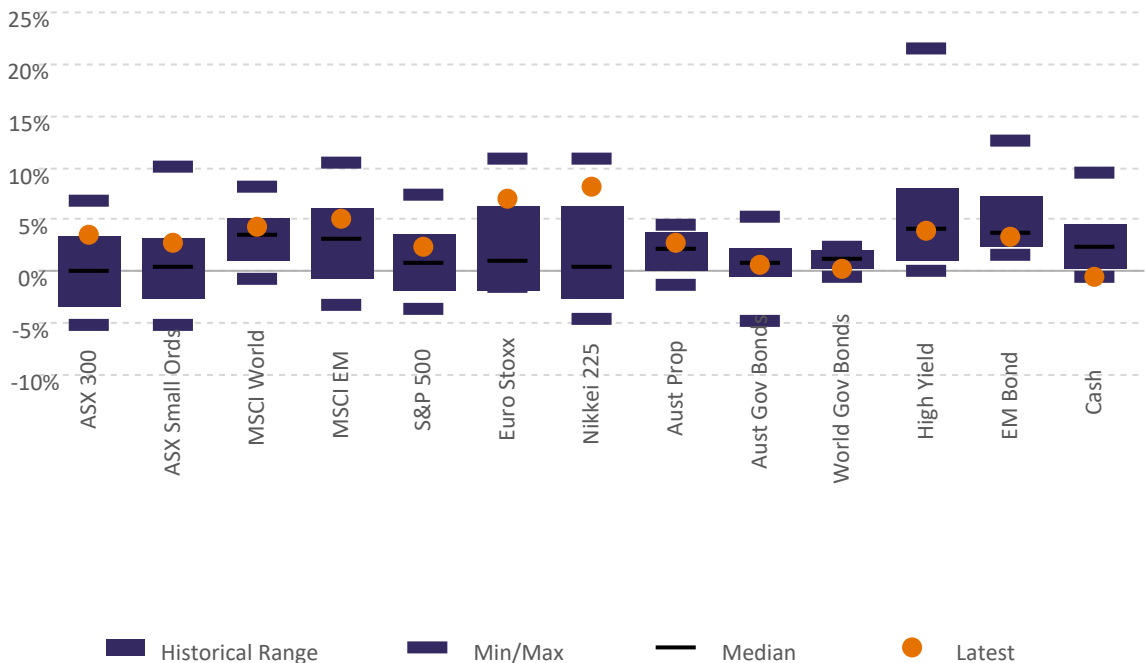
Asset Class Yields Relative to History

Current Yields (equities earnings)



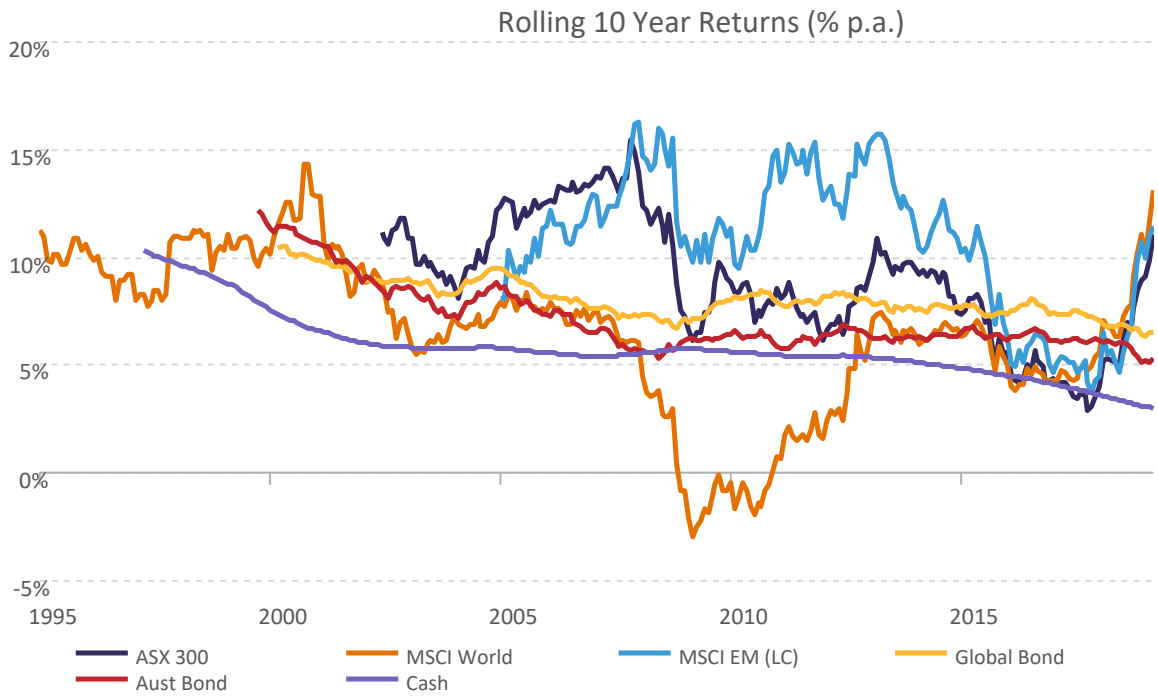
Source: Thomson Reuters Datastream

Relative Yields (vs bond or cash yield)

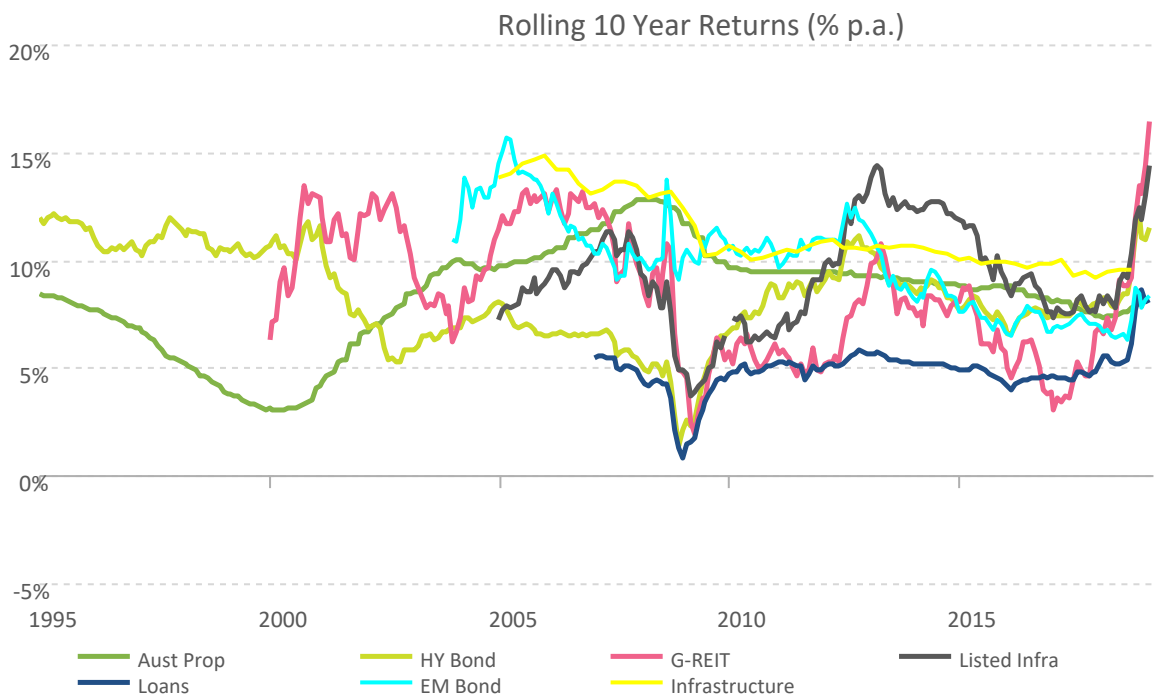


Source: Thomson Reuters Datastream

Asset Class Long-Term Returns



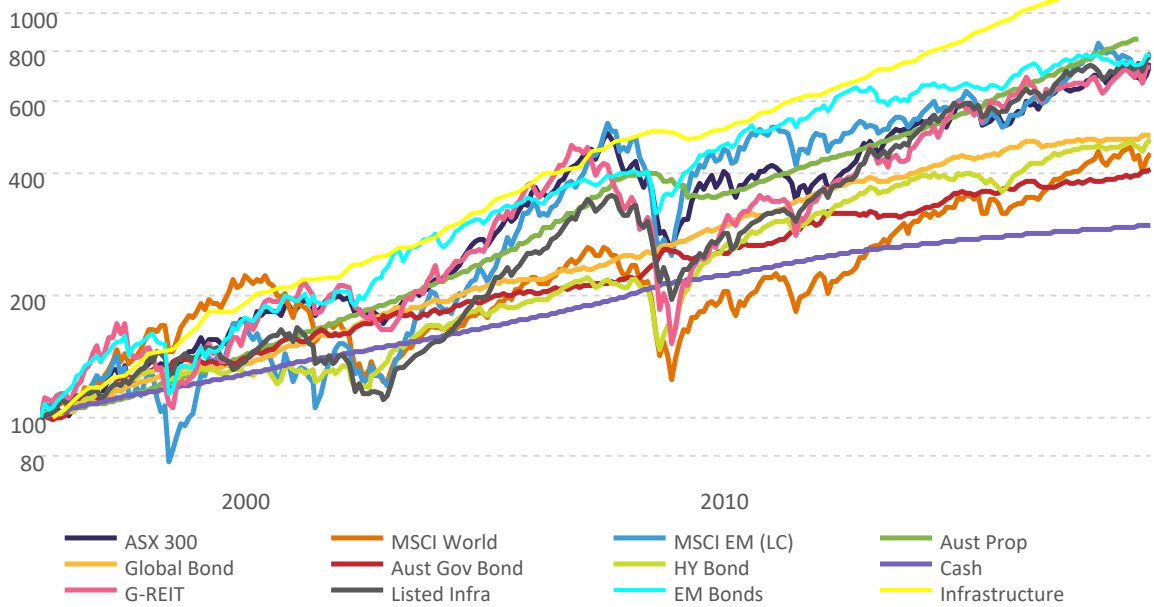
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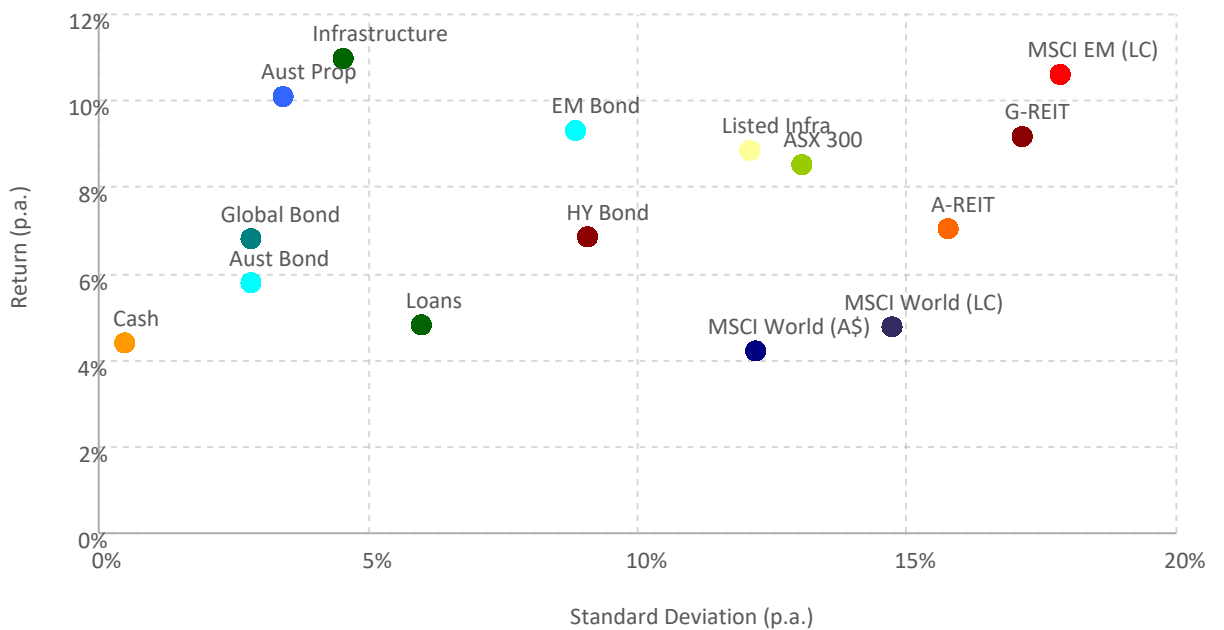
Asset Class Long-Term Returns

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



Source: Thomson Reuters Datastream

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



Source: Thomson Reuters Datastream

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