

Monthly Market Snapshot

AUGUST 2018

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



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Market Commentary

Global PMI (Purchasing Managers' Index) surveys are at a 21-month low in August 2018 at 52.5; down from 52.8 in July 2018. Although output growth increased, rates of expansion in new orders and employment slowed. August saw further growth across the consumer, intermediate and investment goods industries. PMI results improved slightly in the consumer and investment goods categories, but slipped to a three-month low for the intermediate goods category. Growth in the US and the Euro area remained solid in August, despite easing to nine- and 21-month lows respectively. Rates of expansion improved in Japan and Australia, but slowed in the UK.

Within the US, GDP growth surges to 4.1% pace in 2nd quarter of 2018. A strong contributor to growth was domestic consumption and net exports while inventories was a detractor. Non-residential fixed investment was a strong contributor at 7.3% in 2nd quarter growth results as well. Core PCE rose 1.9% at an annualised rate. Inflationary pressure has continue to strengthen across various inflationary measures in the market while wage inflation remains relatively moderate in contrast. Labour market continues to improve as the unemployment rate dropped to 3.9%. However, job gains in August disappointed as only 157,000 jobs were added compared to the expected 190,000. Business and consumer confidence remain positive. Growth in the US appears strong while trade tensions continue to pose as an uncertainty in the near term.

Within the Eurozone, macroeconomic data continues to support a positive outlook. Eurozone composite PMI was up in August. Both manufacturing production and service sector activity rose at similar and slightly faster rates. The levels of new work continued to increase during August, with the rate of growth improving slightly on July, but business confidence regarding future activity continued to weaken. Input costs again rose at a sharp pace, despite inflation easing to a three-month low with price pressures the most acute within Germany.

Within China, PMI's remain above its expansionary level but underlying inputs such as new orders and exports have declined marginally into the contractionary range. This is due to the ongoing trade tensions between the US and China.

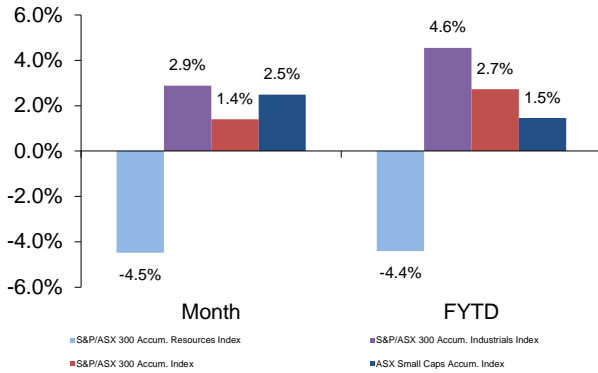
Within equity markets, MSCI emerging markets continue to underperform MSCI World as the US dollar rises. MSC EM (USD) was down 4.9% while MSCI World ex Australia (LC) outperformed by 1.4%.

Within the domestic market, ASX300 grew by 0.63% in the month, while the 10-year bond yields hovered at 2.5%. The RBA kept the cash rate unchanged at 1.5%. Housing approvals fell by 5.2% on an annual basis in July. Business conditions and consumer confidence continue to improve, suggesting a brighter outlook as compared to the first half of 2017.

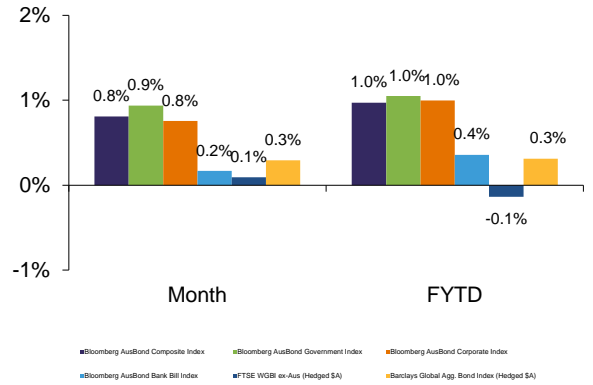
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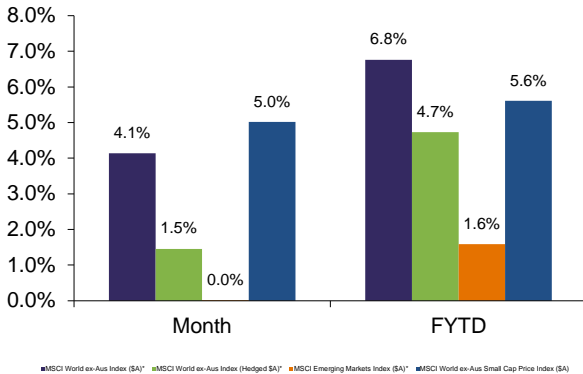
Australian equities



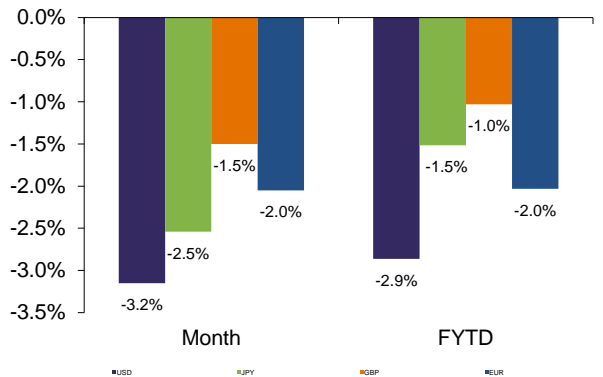
Fixed income



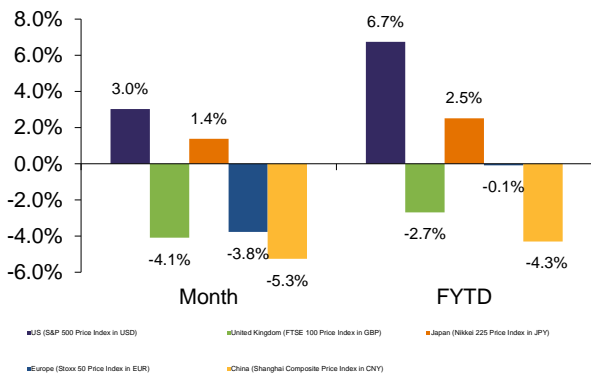
International Equities (\$A)



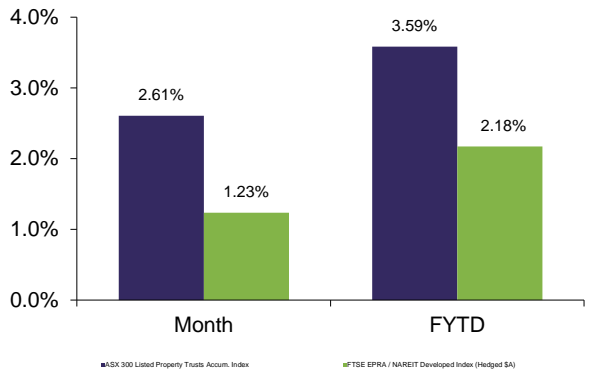
Australian dollar











International Equities



Property



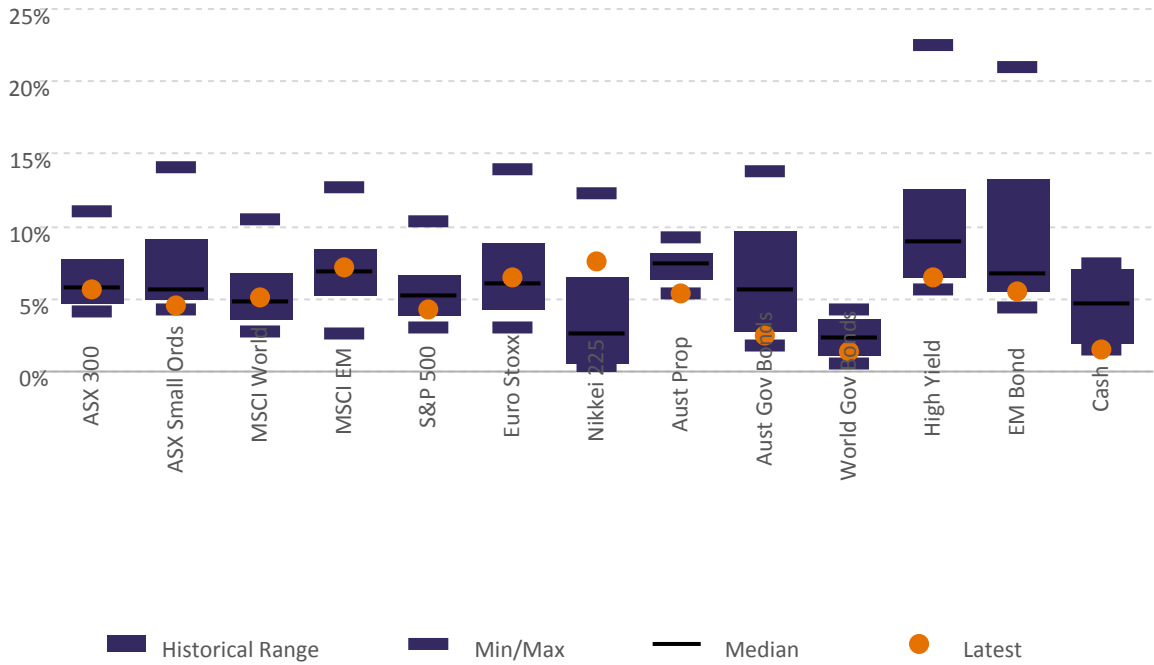
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	Index value	Month	3 months	FYTD	1 year
 Australian equities					
S&P/ASX 300 Accum. Index	63,973	1.4%	6.0%	2.7%	15.4%
S&P/ASX 300 Accum. Industrials Index	128,651	2.9%	7.9%	4.6%	14.2%
S&P/ASX 300 Accum. Resources Index	26,012	-4.5%	-1.4%	-4.4%	21.3%
ASX Small Caps Accum. Index	8,259	2.5%	2.5%	1.5%	22.3%
 International equities					
MSCI World ex-Aus Index (\$A)*	9,690	4.1%	9.2%	6.8%	24.3%
MSCI World ex-Aus Index (Hedged \$A)*	1,738	1.5%	5.0%	4.7%	14.7%
MSCI Emerging Markets Index (\$A)*	669	0.0%	-0.3%	1.6%	8.9%
MSCI World ex-Aus Small Cap Index (\$A)	618	5.0%	7.7%	5.6%	25.8%
US (S&P 500 Index in USD)	2,902	3.0%	7.3%	6.7%	17.4%
United Kingdom (FTSE 100 Index in GBP)	7,432	-4.1%	-3.2%	-2.7%	0.0%
Japan (Nikkei 225 Index in JPY)	22,865	1.4%	3.0%	2.5%	16.4%
Europe (Stoxx 50 Index in EUR)	3,393	-3.8%	-0.4%	-0.1%	-0.8%
China (Shanghai Composite Index in CNY)	2,725	-5.3%	-12.0%	-4.3%	-18.9%
 AUD versus ...					
USD	0.72	-3.2%	-5.0%	-2.9%	-9.5%
JPY	80.58	-2.5%	-2.1%	-1.5%	-7.7%
GBP	0.56	-1.5%	-1.8%	-1.0%	-8.8%
EUR	0.62	-2.0%	-4.0%	-2.0%	-6.6%
 Property					
ASX 300 Listed Property Trusts Accum. Index	50,128	2.6%	5.9%	3.6%	15.7%
FTSE EPRA / NAREIT Dev. Index (Hedged \$A)*	2,648	1.2%	4.3%	2.2%	7.5%
 Oil and Commodities					
Crude Oil (\$/bbl)	70	1.5%	4.1%	-5.9%	47.8%
Copper Spot (\$/tonne)	5,968	-5.0%	-12.8%	-9.9%	-11.7%
Gold Spot (\$/ounce)	1,207	-2.2%	-8.4%	-4.7%	-10.2%
 Australian Fixed Interest					
Bloomberg AusBond Composite Index	9,302	0.2%	1.3%	0.2%	3.0%
Bloomberg AusBond Government Index	9,641	0.1%	1.5%	0.1%	3.0%
Bloomberg AusBond Corporate Index	9,648	0.2%	1.1%	0.2%	3.4%
Bloomberg AusBond Bank Bill Index	8,784	0.2%	0.5%	0.2%	1.8%
 Global Fixed Interest					
FTSE WGBI ex-Aus (Hedged \$A)	2,298	0.1%	0.2%	-0.1%	0.9%
Barclay's Global Agg. Bond Index (Hedged \$A)	-	0.3%	0.5%	0.3%	0.8%
 Fixed income (yields) as at ...					
	31-Jul-18	30-Jun-18	30-Apr-18	30-Jun-17	31-Jul-17
Australia Bank Bill	1.95	1.96	1.98	2.10	1.72
Australia 10 Year Government Bond	2.52	2.65	2.67	2.63	2.71
US 10 Year Government Bond	2.86	2.96	2.86	2.86	2.12
UK 10 Year Government Bond	1.43	1.33	1.23	1.28	1.03
Germany 10 Year Government Bond	0.33	0.44	0.34	0.30	0.36
Japan 10 Year Government Bond	0.11	0.06	0.04	0.04	0.01

* Net dividends reinvested

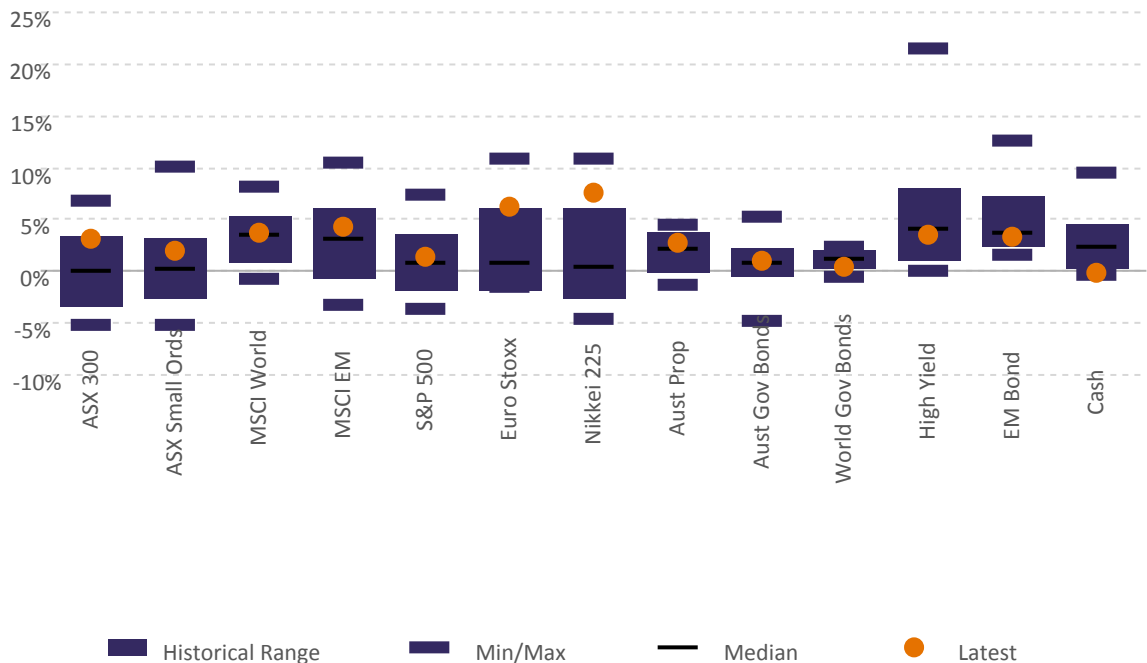
Asset Class Yields Relative to History

Current Yields (equities earnings)



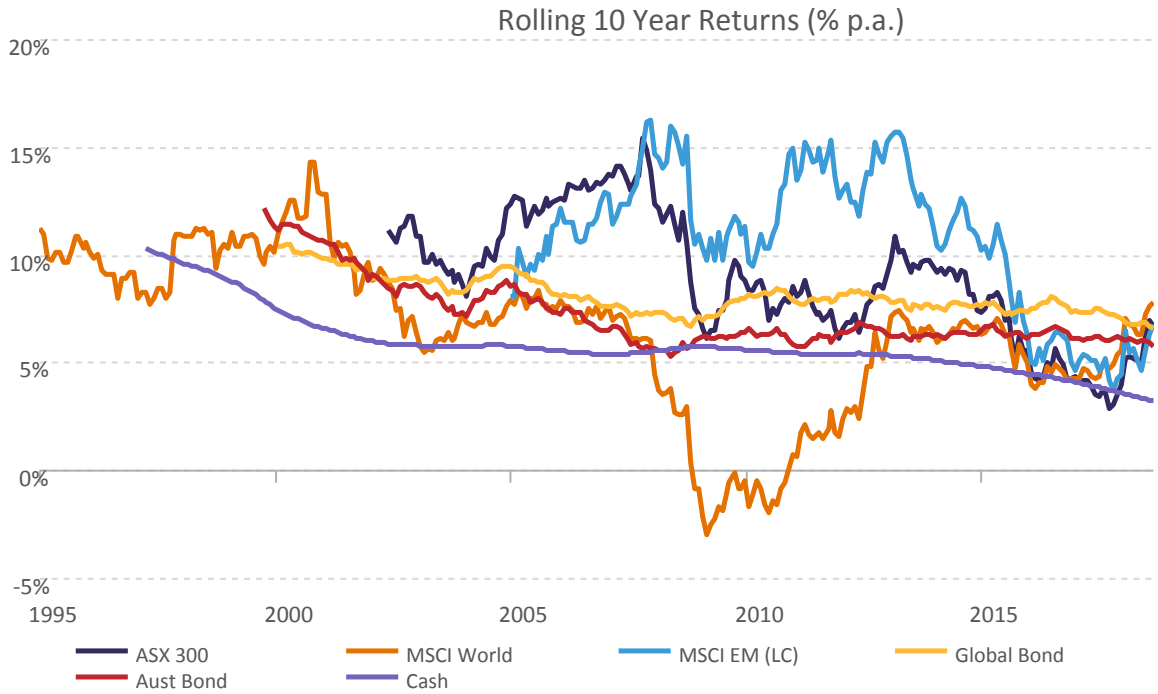
Source: Thomson Reuters Datastream

Relative Yields (vs bond or cash yield)

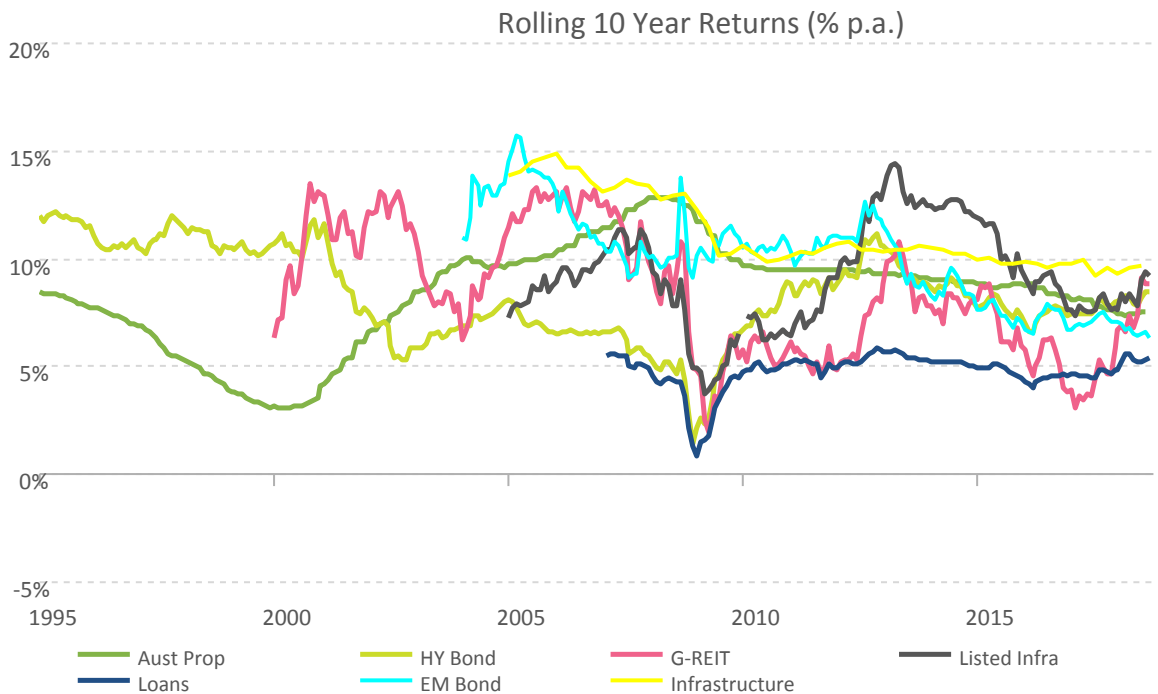


Source: Thomson Reuters Datastream

Asset Class Long-Term Returns



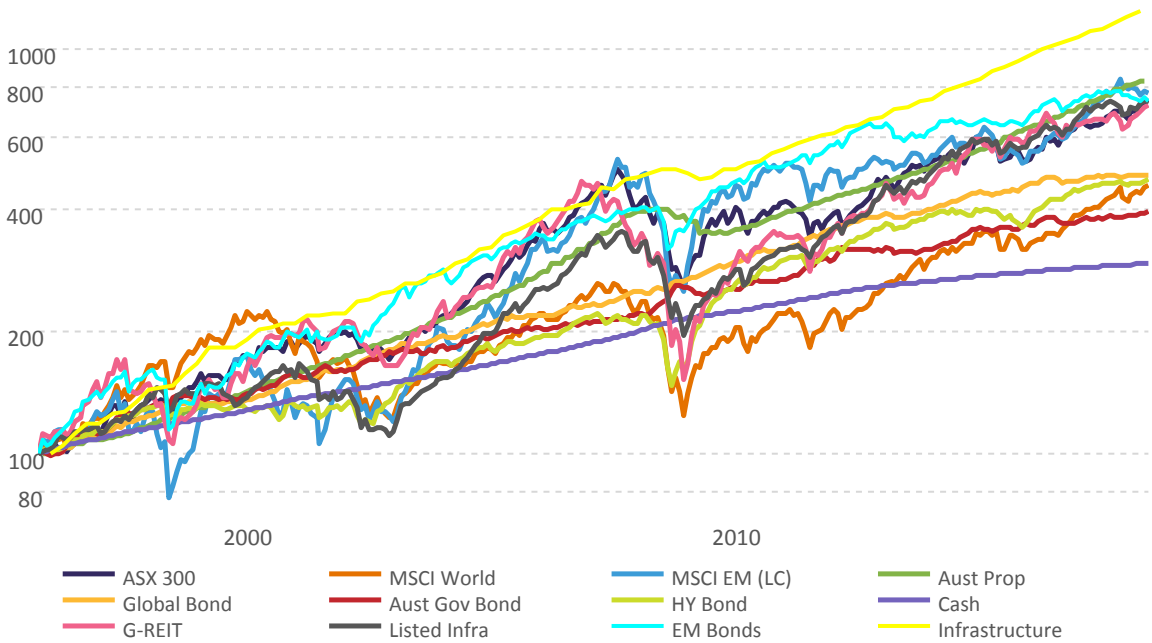
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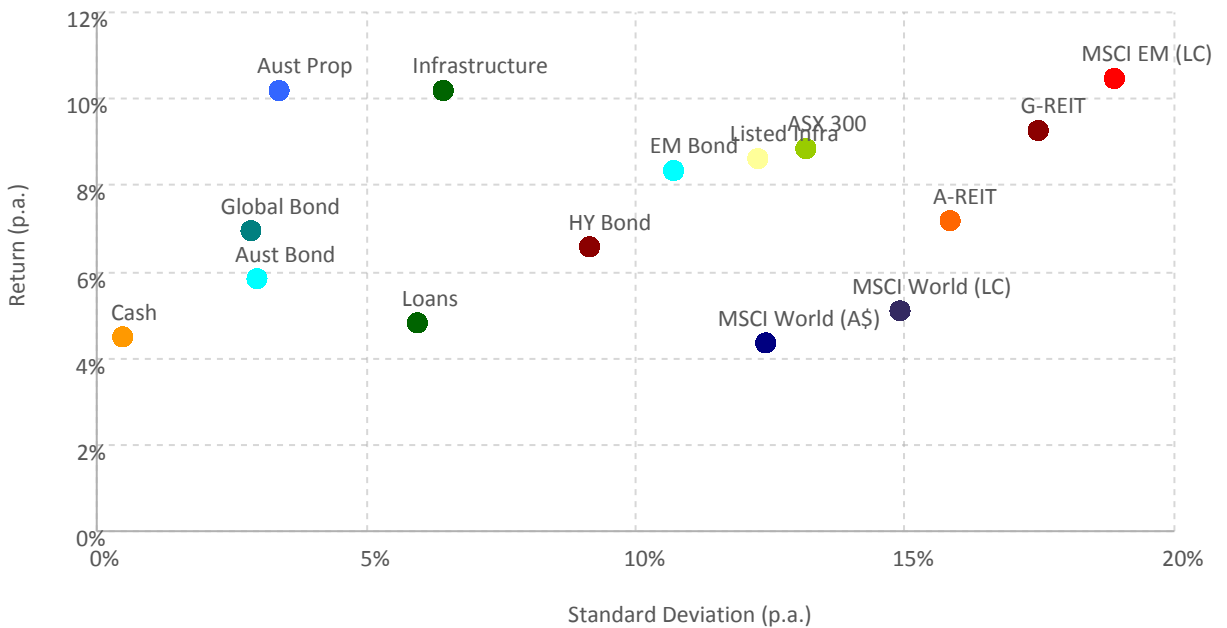
Asset Class Long-Term Returns

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



Source: Thomson Reuters Datastream

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



Source: Thomson Reuters Datastream

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