

Monthly Market Snapshot

NOVEMBER 2018

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

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Market Commentary

After material losses in October, equity market moves were more muted in November. US and Japan equities produced positive returns, while Australia, Europe, and China were negative over the month. However, as a result of a large fall in oil prices, resources stocks declined significantly in November.

Oil prices plunging in November was initially driven by the announcement that the US would temporarily exempt a number of countries (including Japan, China and India) from its sanctions on Iran to allow them to continue to purchase oil from Iran. In addition, there has been a large increase in the supply of oil, particularly oil output from the US, as well as some softening of global demand.

Global listed property and infrastructure were positive for the month and outperformed the broad equity market, while Australian listed property and infrastructure produced small negative returns.

The Australian dollar appreciated against each of the US dollar, Japanese Yen, UK pound and the Euro in November.

Fixed income returns were positive over the month, with government bonds outperforming credit. International government bonds were the best performing bond index, as the US 10-Year Government Bond Yield fell back below 3.0% at month end.

There were some seemingly positive developments on trade in November. After the meeting between the US and China at the G-20 Summit in Argentina, it was announced that a 90-day “truce” to negotiate a trade agreement was to occur. In addition, the new United States-Mexico-Canada Agreement (USMCA) was signed at the Summit, although it still awaits congressional approval.

However, the US continues to express a willingness to introduce tariffs if trade negotiations fail.

US mid-term election results were largely as expected with the Democrats winning control of the House of Representatives but the Republicans retaining their control of the Senate.

The European economy reported slowing economic growth in the third quarter of 2018, showing signs of weakening momentum. Consumer confidence has also declined further in November, as rising risks from global trade tensions continue to cast a shadow over the outlook. The Italian Government had refused to revise its spending plans after the initial draft budget was rejected by the European Commission for breaching European Union (EU) budget rules. However, there are reports that the Italian Government is negotiating with the EU with the possibility that a compromise position will be agreed.

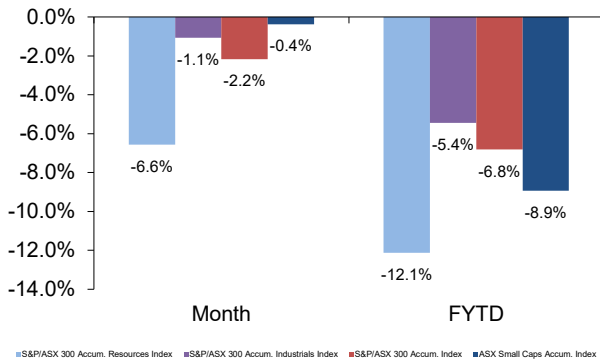
In Britain, the UK Government has negotiated a withdrawal agreement with the EU on Brexit. The deal will be put to the UK Parliament for approval, but it is uncertain how it will progress. There are a number of potential options that could occur including; renegotiation with the EU, no-deal exit, general election and a second referendum.

The Reserve Bank of Australia (RBA) again kept the cash rate unchanged at 1.5%. In its latest released Statement on Monetary Policy, the RBA provided an increasingly positive economic outlook of higher GDP growth, lower unemployment, and inflation picking up but still at the lower end of its target range. However, house prices in Sydney and Melbourne continue to fall, with prices falling more in some areas than during the global financial crisis.

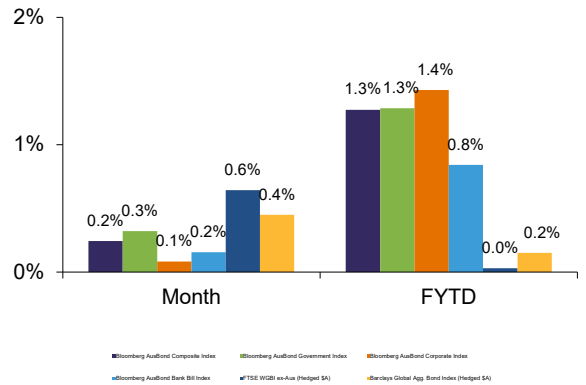
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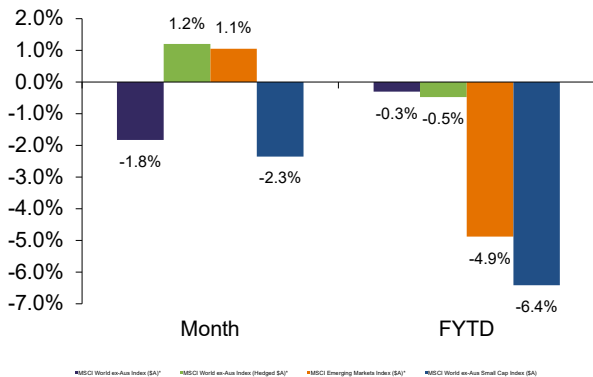
Australian Equities



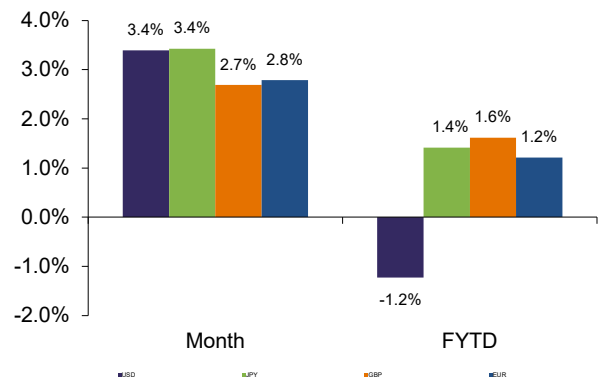
Fixed Income



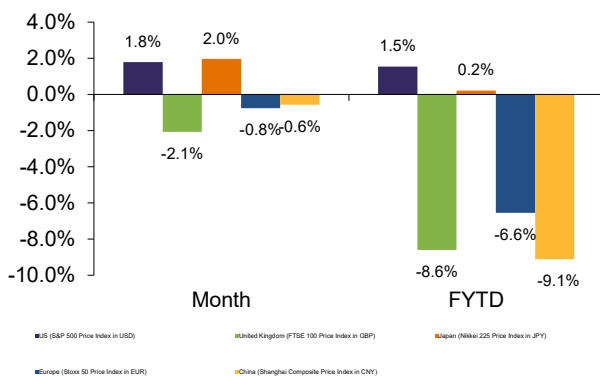
International Equities (\$A)



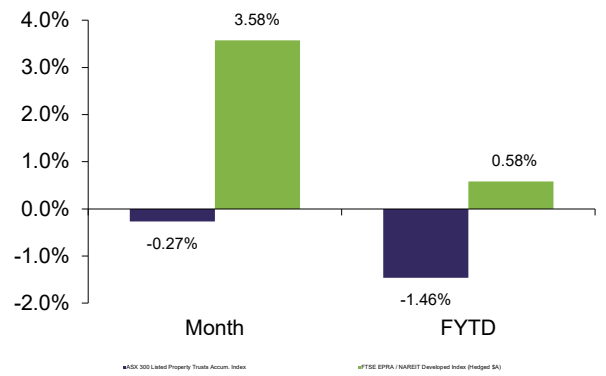
Australian Dollar



International Equities











Property



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

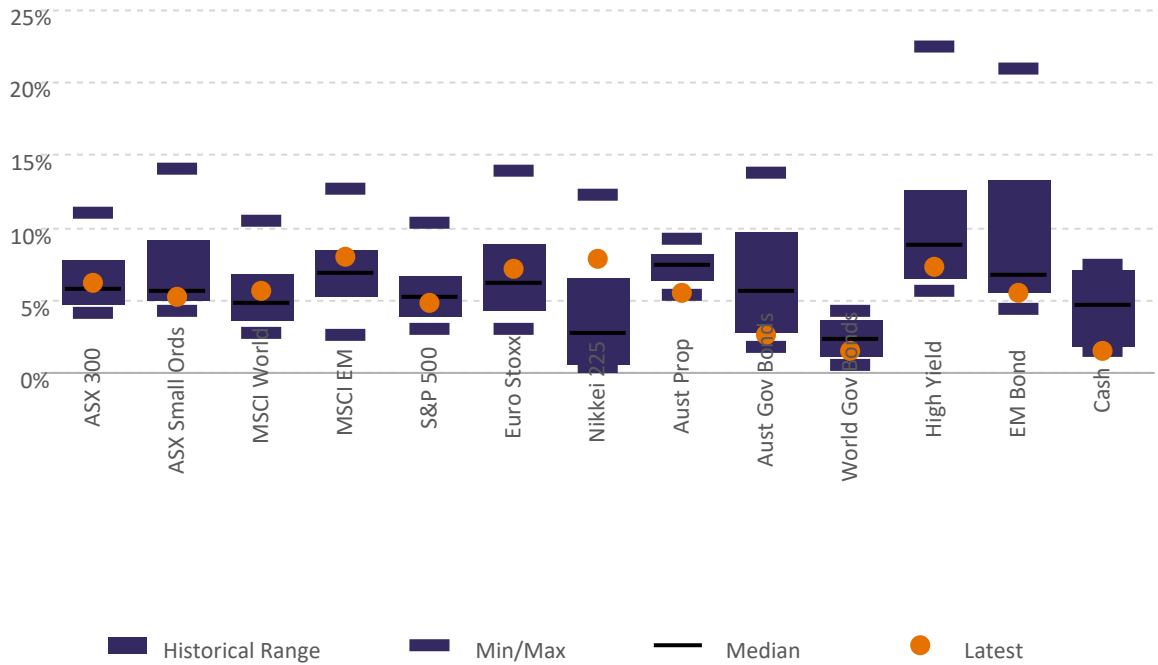
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	Index value	Month	3 months	FYTD	1 year
Australian Equities					
 S&P/ASX 300 Accum. Index	58,028	-2.2%	-9.3%	-6.8%	-1.0%
S&P/ASX 300 Accum. Industrials Index	116,349	-1.1%	-9.6%	-5.4%	-2.2%
S&P/ASX 300 Accum. Resources Index	23,910	-6.6%	-8.1%	-12.1%	4.5%
ASX Small Caps Accum. Index	7,413	-0.4%	-10.3%	-8.9%	-1.6%
International Equities					
 MSCI World ex-Aus Index (\$A)*	9,048	-1.8%	-6.6%	-0.3%	4.2%
MSCI World ex-Aus Index (Hedged \$A)*	1,652	1.2%	-5.0%	-0.5%	1.9%
MSCI Emerging Markets Index (\$A)*	627	1.1%	-6.4%	-4.9%	-5.5%
MSCI World ex-Aus Small Cap Index (\$A)	340	-2.3%	-11.5%	-6.4%	0.2%
US (S&P 500 Index in USD)	2,760	1.8%	-4.9%	1.5%	4.3%
United Kingdom (FTSE 100 Index in GBP)	6,980	-2.1%	-6.1%	-8.6%	-4.7%
Japan (Nikkei 225 Index in JPY)	22,351	2.0%	-2.2%	0.2%	-1.6%
Europe (Stoxx 50 Index in EUR)	3,173	-0.8%	-6.5%	-6.6%	-11.1%
China (Shanghai Composite Index in CNY)	2,588	-0.6%	-5.0%	-9.1%	-22.0%
AUD versus ...					
 USD	0.73	3.4%	1.7%	-1.2%	-3.4%
JPY	82.98	3.4%	3.0%	1.4%	-2.3%
GBP	0.57	2.7%	2.7%	1.6%	1.7%
EUR	0.64	2.8%	3.3%	1.2%	0.4%
Property					
 ASX 300 Listed Property Trusts Accum. Index	47,684	-0.3%	-4.9%	-1.5%	1.6%
FTSE EPRA / NAREIT Dev. Index (Hedged \$A)*	2,607	3.6%	-1.6%	0.6%	3.3%
Oil and Commodities					
 Crude Oil (\$/bbl)	51	-22.0%	-27.0%	-31.3%	-11.3%
Copper Spot (\$/tonne)	6,227	3.2%	4.3%	-6.0%	-7.5%
Gold Spot (\$/ounce)	1,226	0.4%	1.1%	-3.6%	-6.0%
Australian Fixed Interest					
 Bloomberg AusBond Composite Index	9,406	0.2%	0.3%	1.3%	2.5%
Bloomberg AusBond Government Index	9,754	0.3%	0.2%	1.3%	2.4%
Bloomberg AusBond Corporate Index	9,762	0.1%	0.4%	1.4%	2.8%
Bloomberg AusBond Bank Bill Index	8,841	0.2%	0.5%	0.8%	1.9%
Global Fixed Interest					
 FTSE WGBI ex-Aus (Hedged \$A)	2,302	0.6%	0.2%	0.0%	0.9%
Barclay's Global Agg. Bond Index (Hedged \$A)	-	0.4%	-0.2%	0.2%	0.5%
Fixed Income (yields) as at ...					
 Australia Bank Bill	30-Nov-18	31-Oct-18	31-Aug-18	30-Jun-18	30-Nov-17
Australia 10-Year Government Bond	1.95	1.91	1.95	2.10	1.74
US 10-Year Government Bond	2.59	2.63	2.52	2.63	2.50
UK 10-Year Government Bond	2.99	3.14	2.86	2.86	2.41
Germany 10-Year Government Bond	1.36	1.44	1.43	1.28	1.33
Japan 10-Year Government Bond	0.31	0.39	0.33	0.30	0.37
	0.09	0.13	0.11	0.04	0.04

*Net dividends reinvested

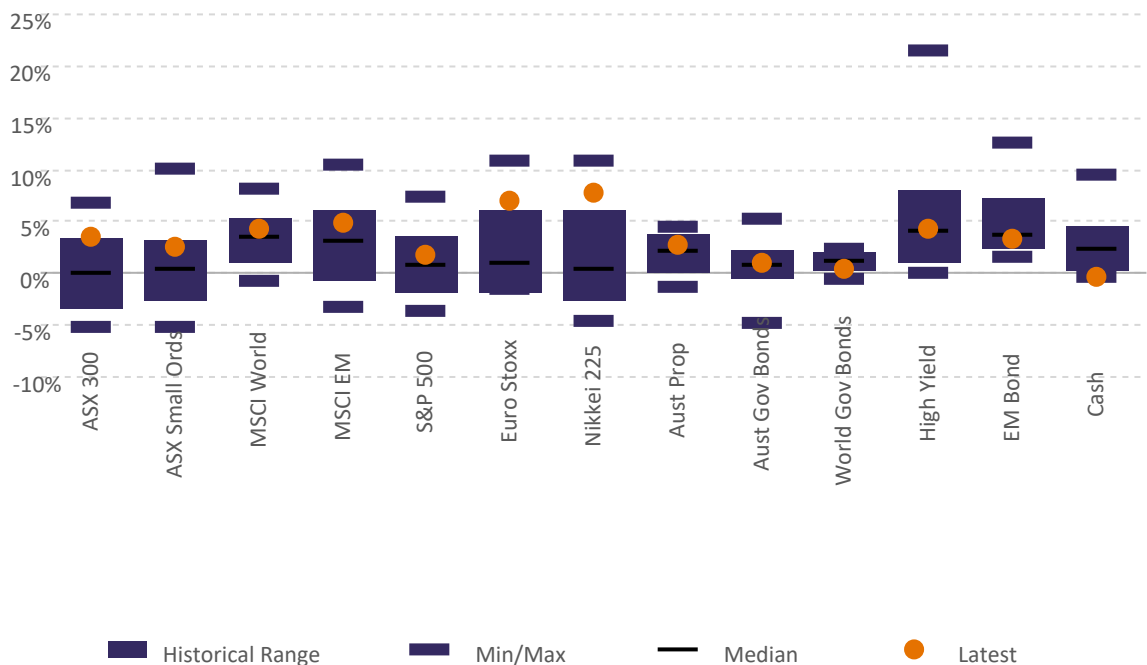
Asset Class Yields Relative to History

Current Yields (equities earnings)



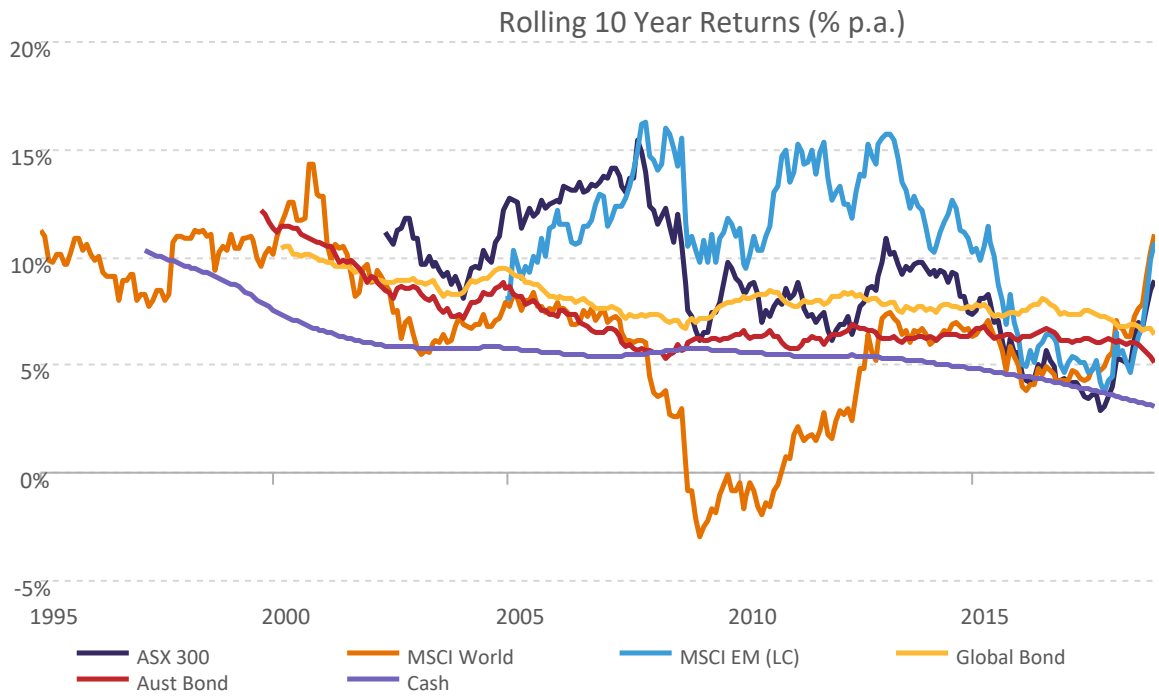
Source: Thomson Reuters Datastream

Relative Yields (vs bond or cash yield)

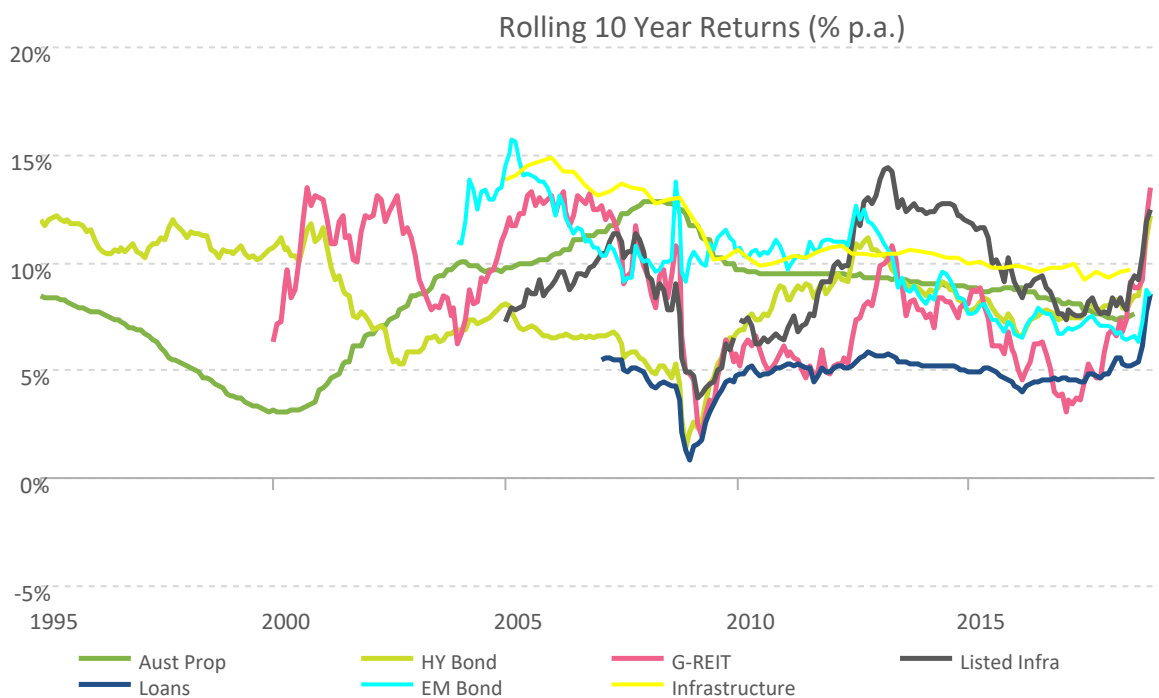


Source: Thomson Reuters Datastream

Asset Class Long-Term Returns



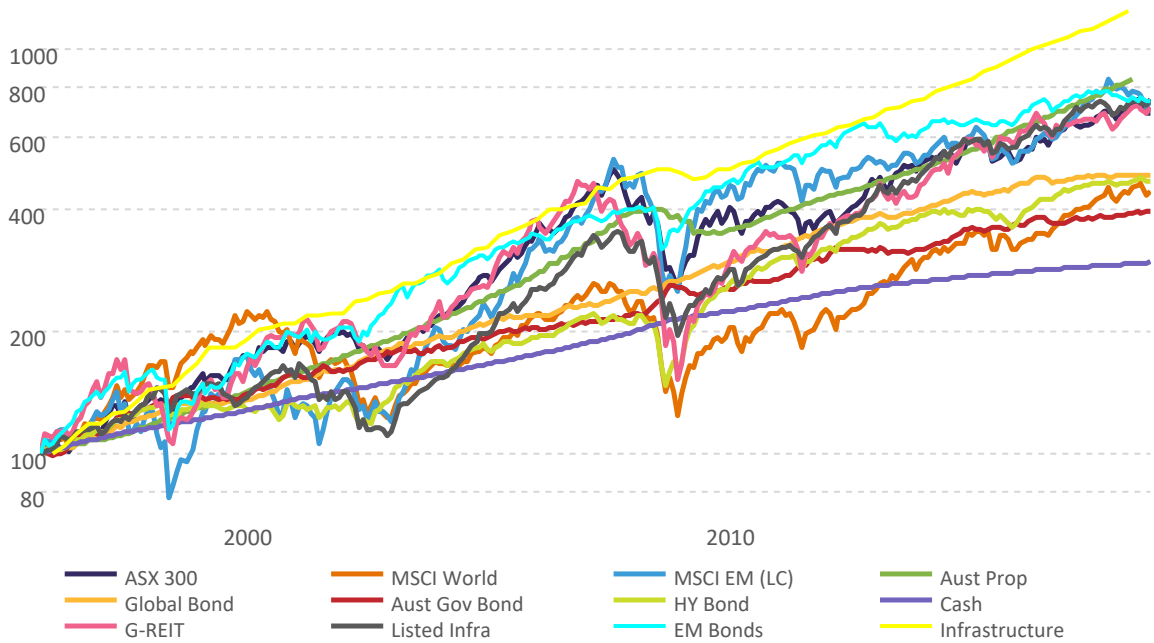
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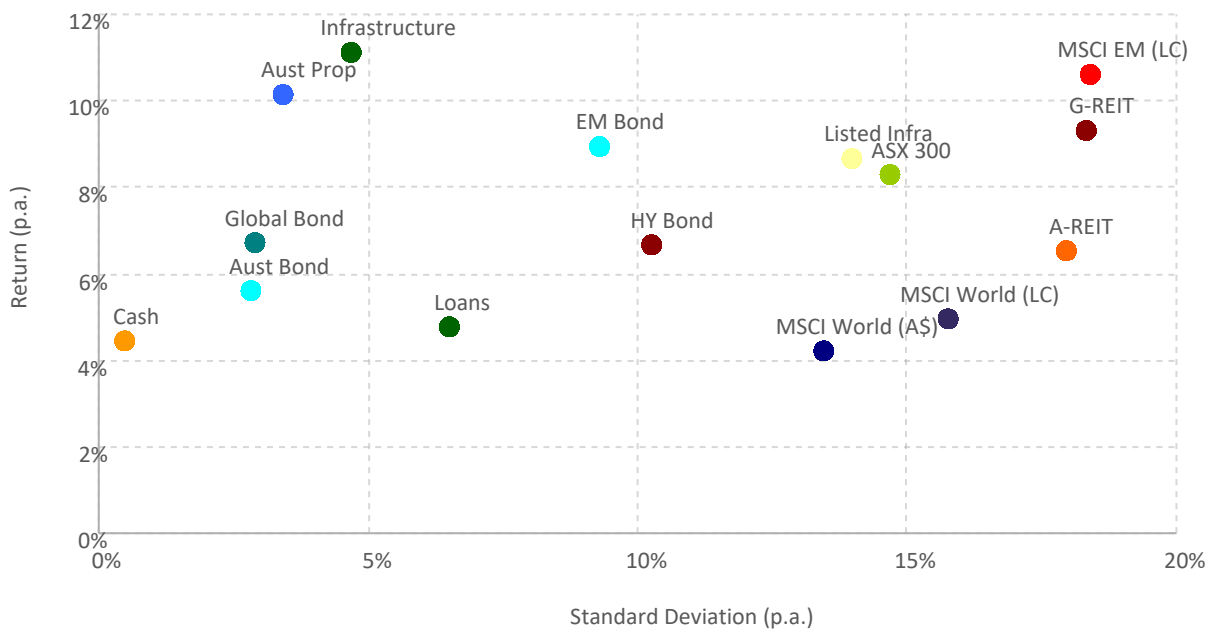
Asset Class Long-Term Returns

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



Source: Thomson Reuters Datastream

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



Source: Thomson Reuters Datastream

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