

Risk assets rose

- **Global shares** were up 3.2% and 4.7% in hedged and unhedged terms, respectively.
- Domestically, **Australian shares** underperformed international markets rising 3.3% during November. This was driven by a combination of positive earnings outlooks at AGM season by the likes of A2 Milk. An offsetting factor was the performance of the banking sector with Westpac the main cause. The company's shares struggled, falling 13.1%, following a civil lawsuit by regulator Austrac for alleged money-laundering breaches.
- The **Australian dollar (AUD)** fell against major currencies during the month. Weaker economic data as well as a speech by Governor Lowe setting out a new "backstop" interest rate of 0.25% (versus market views that the lowest the cash rate could get was 0.5%).
- **Fixed income** assets struggled internationally with positive trade talk news and stronger economic data saw negative returns for **international fixed income**. The prospect of further RBA rate cuts with Governor Lowe's speech opening the possibility of quantitative easing as well supported by weaker economic data saw investors flock to Australian bonds resulting in a positive return for **domestic fixed income**.
- GDP growth disappointed at 0.4% in the September quarter (consensus: 0.5%) with weak consumer spending the key driver contributing only 0.1% to growth.
- Property markets continue to strengthen on low volumes following the RBA rate cuts. The RBA is hoping a "wealth effect" from stronger prices will support consumer spending but we remain sceptical given still subdued consumer sentiment and weak spending to date.

Major asset class performance

Asset classes	1 month %	1 year %	5 years (p.a.) %
Australian shares	3.3	26.0	9.9
Global shares (hedged)	3.2	13.6	9.4
Global shares (unhedged)	4.7	23.6	13.0
Global small companies (unhedged)	5.1	19.4	12.9
Global emerging markets (unhedged)	1.7	15.8	8.0
Global listed property (hedged)	-0.9	14.1	7.2
Cash	0.1	1.6	1.9
Australian fixed income	0.8	10.7	4.9
International fixed income	-0.2	9.0	4.4

Source: Bloomberg & IOOF, 30 November 2019
Indices used: Australian Shares: S&P/ASX 200 Accumulation Index, Global shares (hedged): MSCI World ex Australia Net Total Return (in AUD), Global shares (unhedged): MSCI World ex Australia Hedged AUD Net Total Return Index; Global small companies (unhedged): MSCI Small Cap Net Total Return USD Index (in AUD); Global emerging markets (unhedged): MSCI Emerging Markets EM Net Total Return AUD Index; Global listed property (hedged): FTSE EPRA/NAREIT Developed Index Hedged in AUD Net Total Return; Cash: Bloomberg AusBond Bank Bill Index; Australian fixed income: Bloomberg AusBond Composite 0+ Yr Index; International fixed income: Bloomberg Barclays Global Aggregate Total Return Index Value Hedged AUD
Please note: Past performance is not indicative of future performance

With more stable growth facing off against trade fears?

Globally

- Global business surveys are pointing to stabilisation with the Markit Global Manufacturing PMI in expansionary territory led by China and the US.
- While positive we remain cautious on global growth given weakness in US business investment and the Eurozone generally.
- In addition, the prospect of renewed trade tensions has reappeared in early December with the US contemplating tariff retaliation over a French digital tax against US firms. The announcement of tariffs being applied to Brazil and Argentina (who had previously been exempt) as well as a willingness to drag the talks with China for longer have added to investor uncertainty.

Locally

- The Reserve Bank of Australia (RBA) left interest rates at 0.75% in early December.
- New RBA remarks contributed to expectations of rate cuts being sooner. Governor Lowe's speech saw the possibility of Australian quantitative easing (RBA buying government bonds) emerge as a real possibility.
- The unemployment rate rose slightly to 5.3% driven by weaker jobs growth.

Currency markets

Exchange rates	At close on 30/11	1 month change %	1 year change %
USD/AUD	0.68	-1.9	-7.4
Euro/AUD	0.61	-0.7	-4.9
Yen/AUD	74.0	-0.6	-10.8
Trade weighted index	59.0	-1.7	-6.8

Source: Bloomberg & IOOF, 30 November 2019. All foreign exchange rates are rounded to two decimal places where appropriate.
Please note: Past performance is not indicative of future performance.

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