



# Market wrap

June 2019



## Markets faltered...

- The rally from December lows faltered in May with most equity markets down for the month.
- Global shares were down 6% and 4.4% in hedged and unhedged terms, respectively.
- Domestically, Australian shares outperformed international this month with 1.7% performance in May.
- Australian communication shares rallied on the prospective takeover bid for Vocus by Swedish firm EQT Infrastructure.
- The Australian dollar (AUD) fell against major currencies as the weaker economic results increased calls for interest rate cuts. A rise in global trade tensions also detracted from the dollar as it is treated as a "risk on" currency. In situations that suggest weaker economic growth the Australian dollar tends to struggle.
- Fixed income and bond substitutes such as listed property rose in May as well both domestically and globally.
- International fixed income was up after the increase in trade war tension between the US and China. The introduction of tariffs against Mexico as a real possibility added to these concerns of weaker growth. Disappointing flash PMI results added to concerns of weaker US growth seeing bond yields fall as a result.

confidence to end the month as the Coalition was viewed more favourably in the private sector.

## Major asset class performance

Asset classes	1 month %	1 year %	5 years (p.a.) %
<b>Australian shares</b>	1.7	11.1	7.7
<b>Global shares (hedged)</b>	-6.0	0.6	8.4
<b>Global shares (unhedged)</b>	-4.4	8.8	12.2
<b>Global small companies (unhedged)</b>	-4.9	0.0	11.7
<b>Global emerging markets (unhedged)</b>	-5.8	-0.3	8.0
<b>Global listed property (hedged)</b>	1.1	15.5	8.6
<b>Cash</b>	0.2	2.0	2.1
<b>Australian fixed income</b>	1.7	9.0	5.0
<b>International fixed income</b>	1.4	6.0	4.7

**Source:** Bloomberg & IOOF, 31 May 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 World 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 Heded AUD.

**Please note:** Past performance is not indicative of future performance.

## With skewed economic news...

### Globally

- Chinese economic numbers disappointed expectations with weaker than expected retail sales and industrial production.
- Global business surveys pointed to weaker growth with the Markit Global Manufacturing PMI slipping into contractionary territory.
- The US Federal Reserve left interest rates on hold but took a dovish tone in recent remarks seeing markets price in rate cuts (with bond yields falling as a result)
- Other central banks eased in May or in early June in response to a weaker global growth environment.

### Locally

- The Reserve Bank of Australia (RBA) responded to its labour market concerns and market pricing by cutting rates by 0.25% in early June. This confirmed market expectations that saw bonds be bid up and yields fall.
- The unemployment rate rose slightly to 5.2% while leading business surveys suggest weaker employment growth ahead.
- The Coalition government was returned to power with a slightly larger majority.
- This saw an uptick in sentiment towards property markets with the correction in property prices continuing to slow. It also saw an uptick in business

## Currency markets

Exchange rates	At close on 31/5	1 month change %	1 year change %
<b>USD/AUD</b>	<b>0.69</b>	<b>-1.6</b>	<b>-8.3</b>
<b>Euro/AUD</b>	<b>0.62</b>	<b>-1.2</b>	<b>-4.0</b>
<b>Yen/AUD</b>	<b>75.1</b>	<b>-4.4</b>	<b>-8.8</b>
<b>Trade weighted index</b>	<b>60.0</b>	<b>0.8</b>	<b>-4.5</b>

**Source:** Bloomberg & IOOF, 31 May 2019. All foreign exchange rates are rounded to two decimal places where appropriate.

**Please note:** Past performance is not indicative of future performance.