

Monthly Market Snapshot

JULY 2020

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

FRONTIER
ADVISORS



Market Commentary

Global equity markets produced disparate performance in the month of July. The US and China produced large positive returns, while the UK, Japan and Europe were negative for the month. Australian equities produced a small positive return, driven by strong performance from the Resources sector, while the rest of the Australian market in aggregate was negative for the month.

The US equity market has now rebounded above levels pre-COVID-19 despite the uncertainty from the upcoming Presidential election and ongoing high rates of new infections of COVID-19. The latest monthly data on employment in the US was more positive than market expectations, with the unemployment rate falling. In Europe, the unemployment rate increased but leading indicators, such as the German economic sentiment survey, suggest expectations of future economic conditions are improving from current lows.

Across the globe, central banks have reiterated their commitment to keeping rates low to support growth in the economy. The US Federal Reserve maintained the federal funds rate at 0.25% and extended its credit and lending facilities to the end of the year to further support markets.

The European Central Bank (ECB) retained its deposit facility interest rate at -0.50% and continues its existing bond buying program. The Reserve Bank of Australia (RBA) also maintained its cash rate at the current level of 0.25% and stated that the rate will not be raised for at least three years. Government bond yields fell globally in July, producing solid returns from bonds over the month.

Commodity prices have recorded material price gains in July, as global industrial production rebounds back into expansionary growth state. The gold price experienced strong price appreciation in July and is the best performed asset class over the last year.

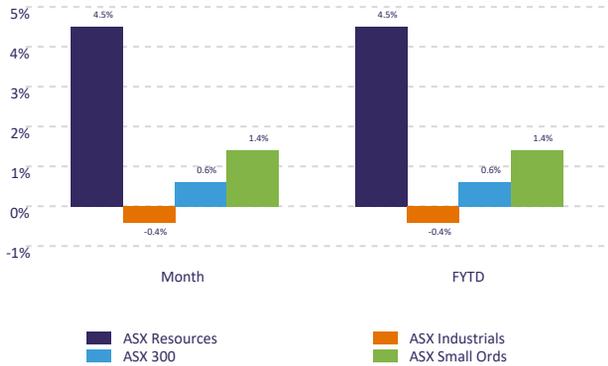
Global listed property and infrastructure produced positive returns in the month of July, outperforming Australian listed property and infrastructure, respectively.

The Australian dollar has again strengthened against the US dollar in the month of July and has now rebounded strongly from the lows in late March and has appreciated over the last twelve months. Conversely the Great British Pound and Euro appreciated in July.

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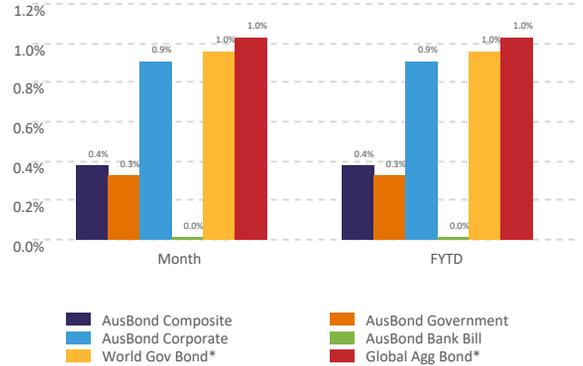
Australian Equities



Source: Refinitiv Datastream



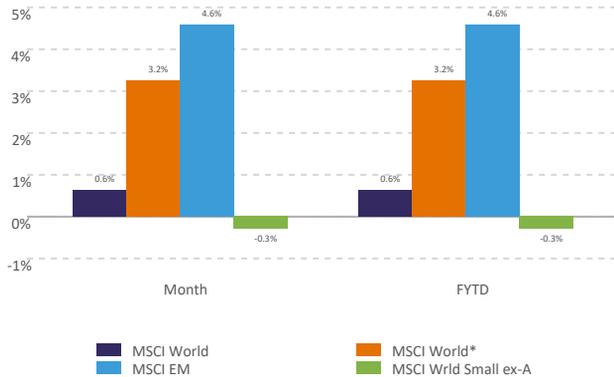
Fixed Income



Source: Refinitiv Datastream *Hedged AS



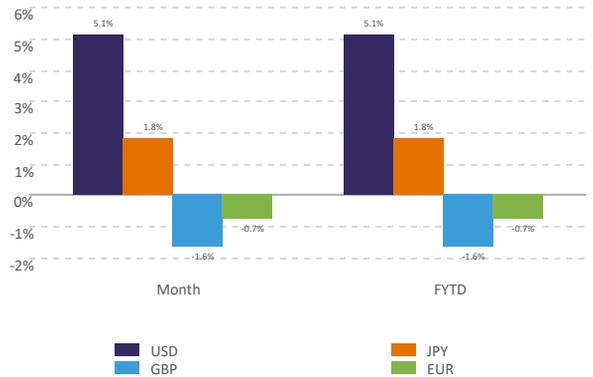
International Equities (\$A)



Source: Refinitiv Datastream *Hedged AS



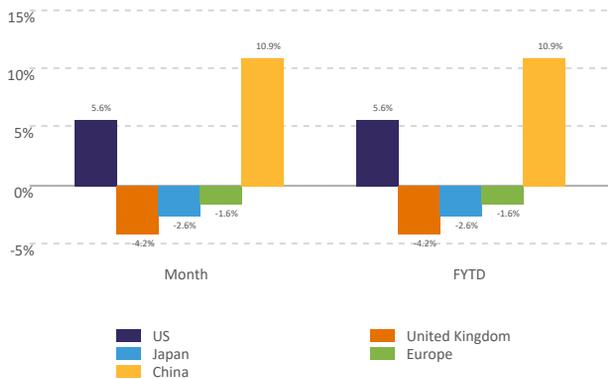
Australian Dollar



Source: Refinitiv Datastream



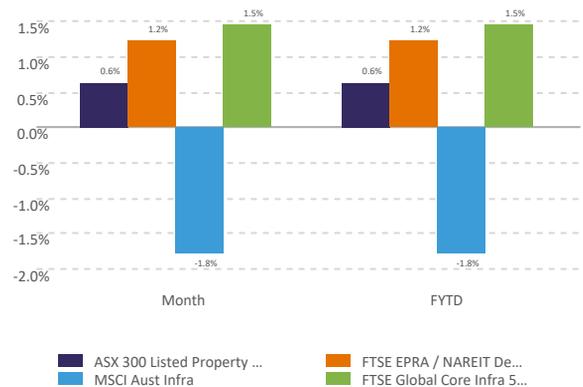
International Equities



Source: Refinitiv Datastream



Real Assets



Source: Refinitiv Datastream *Hedged AS

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

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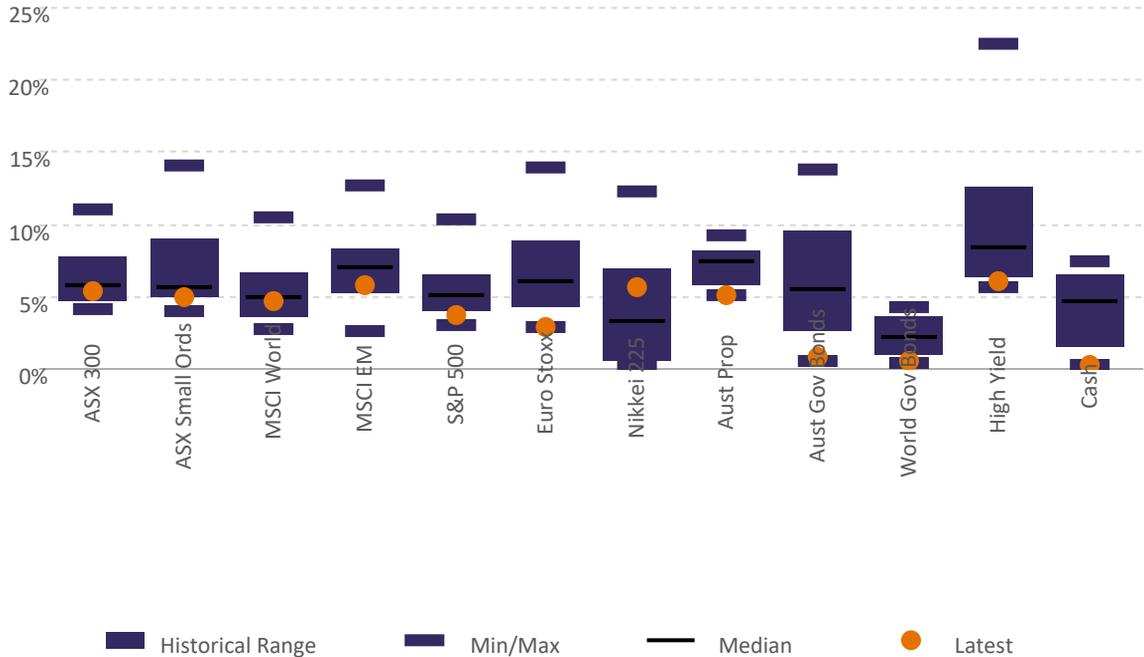
| | Index Value | Month | 3 Months | FYTD | 1 Year | |
|--|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| Australian Equities | | | | | | |
|  | S&P/ASX 300 Accum. Index | 5,894 | 0.6% | 7.8% | 0.6% | -9.7% |
| | S&P/ASX 300 Accum. Industrials Index | 8,969 | -0.4% | 6.0% | -0.4% | -11.2% |
| | S&P/ASX 300 Accum. Resources Index | 4,586 | 4.5% | 14.9% | 4.5% | -3.9% |
| | ASX Small Caps Accum. Index | 2,634 | 1.4% | 9.9% | 1.4% | -8.5% |
| International Equities | | | | | | |
|  | MSCI World ex-Aus Index (\$A) | 3,680 | 0.6% | 2.9% | 0.6% | 3.4% |
| | MSCI World ex-Aus Index (Hedged \$A) | 3,014 | 4.8% | 12.6% | 4.8% | 6.5% |
| | MSCI Emerging Markets Index (\$A) | 1,086 | 4.6% | 7.6% | 4.6% | 2.4% |
| | MSCI World ex-Aus Small Cap Index (\$A) | 444 | -0.3% | 3.9% | -0.3% | -5.9% |
| | US (S&P 500 Index in USD)* | 3,271 | 5.5% | 12.3% | 5.5% | 9.8% |
| | United Kingdom (FTSE 100 Index in GBP)* | 5,898 | -4.4% | -0.1% | -4.4% | -22.3% |
| | Japan (Nikkei 225 Index in JPY)* | 21,710 | -2.6% | 7.5% | -2.6% | 0.9% |
| | Europe (Stoxx 50 Index in EUR)* | 3,174 | -1.8% | 8.4% | -1.8% | -8.4% |
| | China (Shanghai Composite Index in CNY)* | 3,310 | 10.9% | 15.7% | 10.9% | 12.9% |
| AUD versus ... | | | | | | |
|  | USD | 0.72 | 5.1% | 9.9% | 5.1% | 4.6% |
| | JPY | 75.27 | 1.8% | 7.7% | 1.8% | 0.6% |
| | GBP | 0.55 | -1.6% | 4.5% | -1.6% | -3.0% |
| | EUR | 0.61 | -0.7% | 0.4% | -0.7% | -1.8% |
| Real Assets | | | | | | |
|  | ASX 300 Listed Property Trusts Accum. Index | 1,212 | 0.6% | 6.4% | 0.6% | -22.2% |
| | FTSE EPRA / NAREIT Dev. Index (Hedged \$A) | 1,434 | 1.2% | 3.6% | 1.2% | -17.4% |
| | MSCI Australia Infrastructure | 1,201 | -1.8% | 1.1% | -1.8% | -9.7% |
| | FTSE Global Core Infra 50/50 Index (Hedged \$A) | 2,147 | 1.5% | 2.8% | 1.5% | -5.9% |
| Oil and Commodities | | | | | | |
|  | Crude Oil (US\$/bbl) | 39.8 | 1.3% | 111.1% | 1.3% | -32.1% |
| | Copper Spot (US\$/tonne) | 6,422 | 7.0% | 24.5% | 7.0% | 8.8% |
| | Gold Spot (US\$/ounce) | 1,975 | 10.7% | 15.9% | 10.7% | 38.3% |
| Australian Fixed Interest | | | | | | |
|  | Bloomberg AusBond Composite Index | 10,641 | 0.4% | 1.0% | 0.4% | 3.6% |
| | Bloomberg AusBond Government Index | 11,169 | 0.3% | 0.5% | 0.3% | 3.5% |
| | Bloomberg AusBond Corporate Index | 10,891 | 0.9% | 2.4% | 0.9% | 3.6% |
| | Bloomberg AusBond Bank Bill Index | 9,017 | 0.0% | 0.0% | 0.0% | 0.7% |
| Global Fixed Interest | | | | | | |
|  | FTSE WGBI ex-Aus (Hedged \$A) | 2,652 | 1.0% | 1.1% | 1.0% | 6.4% |
| | Barclay's Global Agg. Bond Index (Hedged \$A) | 1,107 | 1.0% | 1.8% | 1.0% | 5.5% |
| Fixed Income (yields) as at ... | | | | | | |
|  | | Jul 2020 | Jun 2020 | Apr 2020 | Jun 2020 | Jul 2019 |
| | Australia Bank Bill | 0.09 | 0.09 | 0.10 | 0.09 | 1.01 |
| | Australia 10-Year Government Bond | 0.83 | 0.88 | 0.91 | 0.88 | 1.20 |
| | US 10-Year Government Bond | 0.54 | 0.65 | 0.63 | 0.65 | 2.02 |
| | UK 10-Year Government Bond | 0.11 | 0.17 | 0.23 | 0.17 | 0.61 |
| | Germany 10-Year Government Bond | -0.53 | -0.46 | -0.59 | -0.46 | -0.44 |
| | Japan 10-Year Government Bond | 0.02 | 0.03 | -0.04 | 0.03 | -0.15 |

Source: Refinitiv Datastream

*Price Index

Asset Class Yields Relative to History

Current Yields (equities earnings)



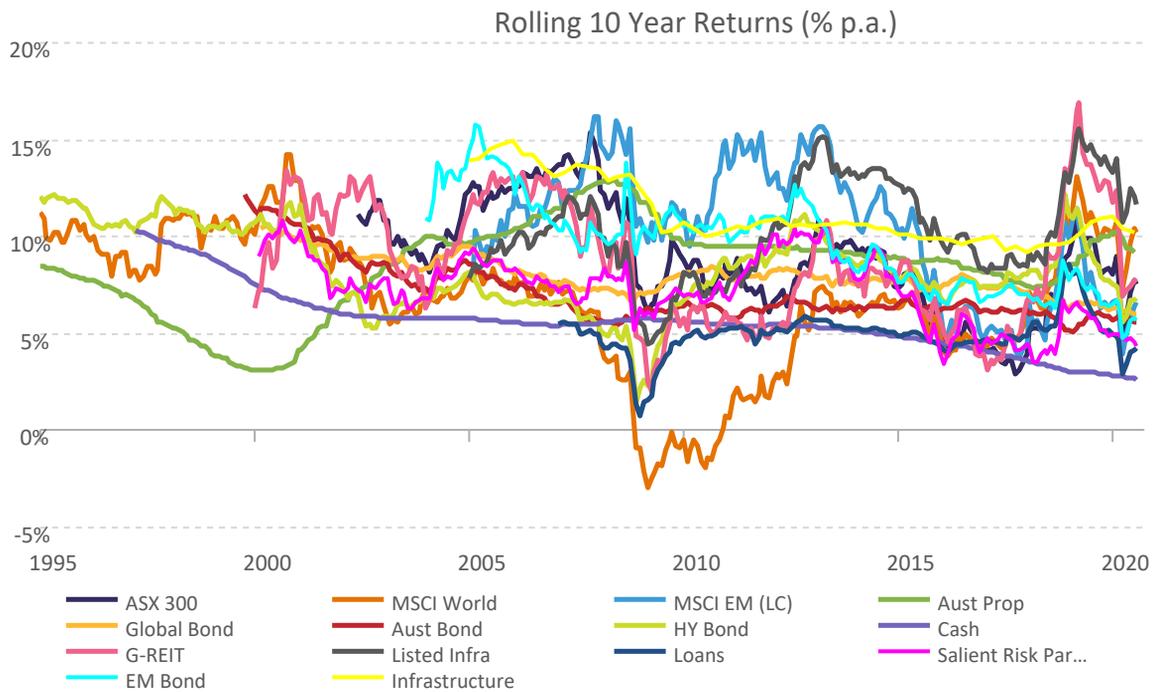
Source: Refinitiv Datastream

Relative Yields (vs bond or cash yield)

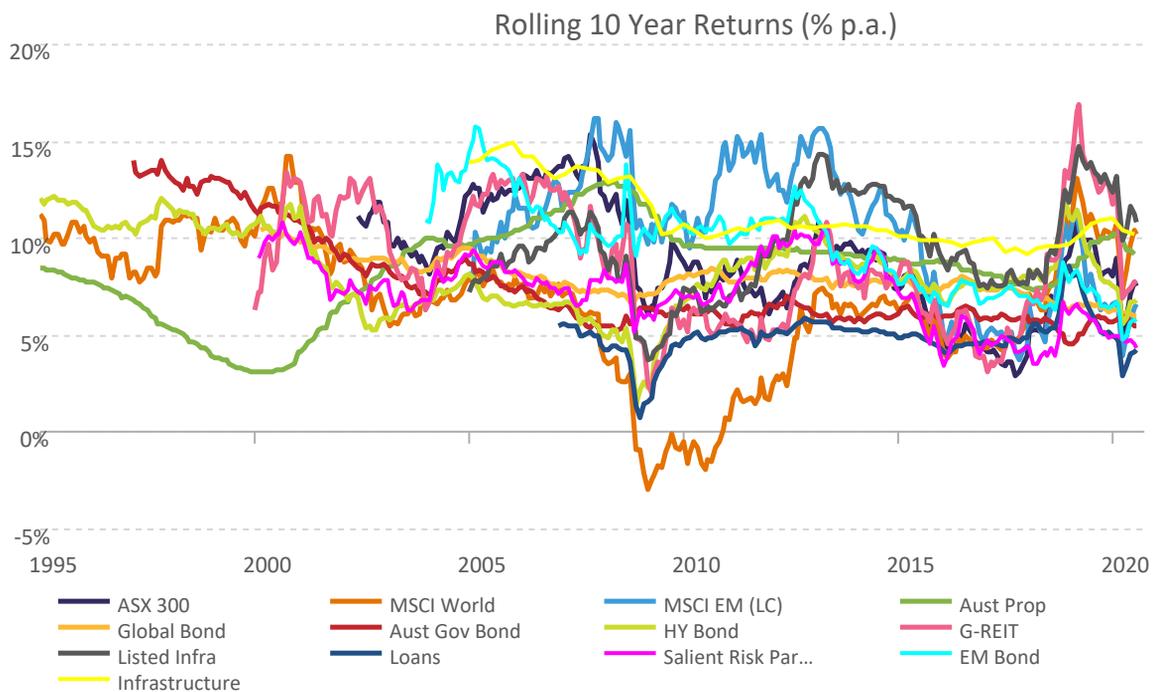


Source: Refinitiv Datastream

Asset Class Long-Term Returns



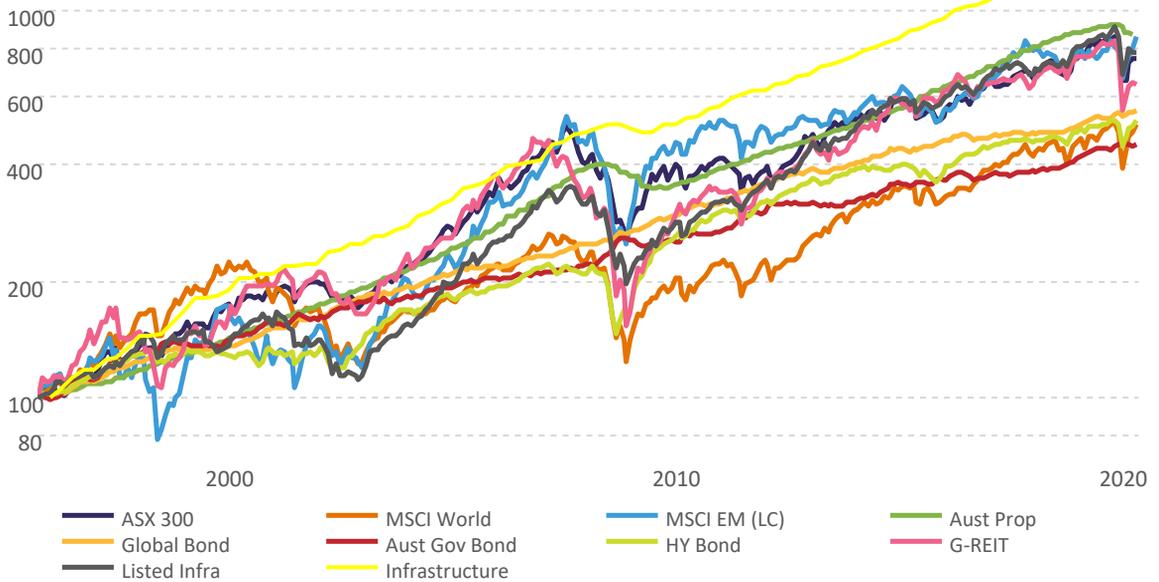
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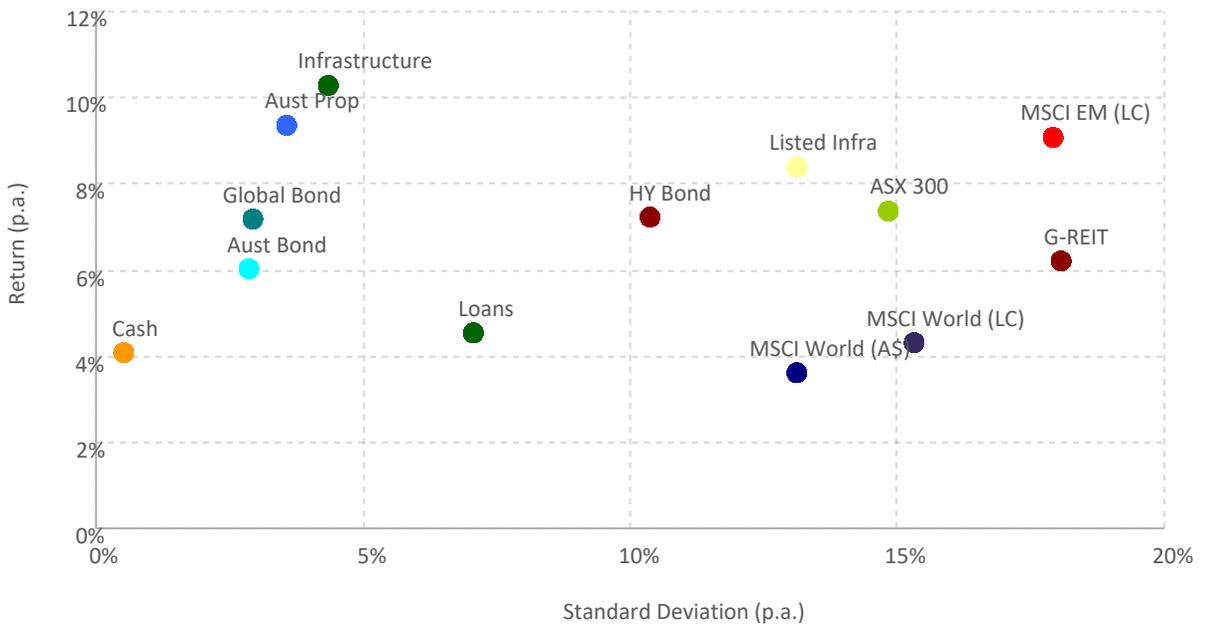
Asset Class Long-Term Returns

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



Source: Refinitiv Datastream

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



Source: Refinitiv Datastream

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