

Market Watch

ANZ Wealth Chief Investment Office
January 2019

Shares rebound

- January was a more positive month for investors after December's volatility, with shares recovering most of their late 2018 losses. Global shares rose by 7.1% and 4.1% in hedged and unhedged terms respectively.
- US shares, having led December's decline, performed strongly, ending the month up 7.9%. They were boosted by the US Federal Reserve's decision to leave interest rates on hold and its dovish communications around future tightening.
- The longest government shutdown in the US's history, although now over, may slow GDP growth sooner than had been expected.
- Economic growth in the eurozone has also slowed, negatively affected by political instability and trade tensions, amongst other factors.
- The US and China, whose ongoing trade war contributed to market jitters in 2018, may be on their way to an agreement, although relations are still far from cordial.
- China's growth is slowing, with poor manufacturing figures and exports also down. There are also concerns about its high corporate debt, currently at 162% of GDP. Careful government policy will be required to manage the transition to a slower economy.
- The Australian dollar gained ground, ending the month at almost US73c, supported by rocketing iron ore prices and a softer USD.

Major asset class performance (%)

Asset classes	1 month	12 months	5 years (p.a.)
Australian shares	3.9	1.1	7.1
Global shares (hedged)	7.1	-4.7	9.6
Global shares (unhedged)	4.1	3.8	11.0
Global emerging markets (unhedged)	5.0	-4.8	8.6
Global small companies (unhedged)	6.5	2.0	10.3
Global listed property	10.1	8.2	9.6
Cash	0.2	2.0	2.1
Australian fixed income	0.6	5.5	4.6
International fixed income	1.0	3.3	4.7

Source: JP Morgan & ANZ Wealth, 31 January 2019.

Indices: Australian shares - S&P/ASX 300 Accumulation; Global shares (hedged/unhedged) - MSCI World ex Australia Net; Global emerging markets - MSCI Emerging Markets Net in AUD (unhedged); Global small companies (unhedged) - MSCI World ex Aust Small Cap; Global listed property - FTSE EPRA/NAREIT Developed Rental Index ex Australia (hedged); Cash - Bloomberg Bank Bill; Australian fixed income - Bloomberg AusBond Composite 0+ Yr Index; International fixed income - Barclays Global Aggregate Bond Index (hedged).

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

Currency

Exchange rates	At close on 31/1	% change 1 month	% change 12 months
AUD/USD	0.73	3.2	-9.7
AUD/euro	0.64	3.4	-2.1
AUD/yen	79.2	2.4	-10.0
Trade weighted index	61.6	1.5	-6.1

Source: Bloomberg & ANZ Wealth, 31 January 2019. All foreign exchange rates are rounded to two decimal places where appropriate.

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