

# MARKET WATCH

## ANZ CHIEF INVESTMENT OFFICE

September 2019

### Monetary easing continues

- Share markets have recovered from August supported by central bank monetary policy easing and de-escalating trade tensions between the US and China. Global shares rose 2.3% and 2.0% in hedged and unhedged terms, respectively.
- Over September, the US Federal Reserve reduced rates again by 0.25% to 1.75%-2%, citing this a "mid-cycle adjustment". Markets were buoyed by the cut with the S&P500 up 1.7%. The European Central Bank (ECB) reintroduced quantitative easing and cut the interest rate on the deposit lending facility by 10 basis points (bp). On 1 October, the Reserve Bank of Australia lowered its target cash rate by 25bp to 0.75%.
- The BoE voted unanimously to leave interest rates unchanged at 0.75% but the Monetary Policy Committee is warming towards the idea of easing policy even before the Brexit decision is made.
- US new home sales were solid in August, rising by 7.1% in a clear sign the housing market is responding to lower interest rates. US consumer and manufacturing data weakened though. The impeachment inquiry into President Trump began in late September.
- The US-China trade war continued with the US imposing a further 15% tariff on an additional USD112bn of Chinese exports. Further high-level trade talks are scheduled for early October with President Trump saying that a trade deal could happen "sooner than you think".
- In China, the official manufacturing PMI came in at 49.8, the fifth straight month of contraction with economic outlook remaining subdued given a weak external environment.
- Euro area data remains soft in September. The ECB's President Draghi said it is ready to cut rates further, but noted fiscal policy also has a role to play.
- The Brexit saga continued as UK's suspension of Parliament by Prime Minister Boris Johnson was ruled unlawful. A general election and Brexit delay seem likely. Despite this, the FTSE 100 gained 2.8%.
- The Australian dollar was steady against the USD, the Yen and the Euro, ending the month at 0.68USc.

### Major asset class performance (%)

Asset classes	1 month	12 months	5 years (p.a.)
Australian shares	1.9	12.6	9.6
Global shares (hedged)	2.3	1.9	9.3
Global shares (unhedged)	2.0	9.1	13.0
Global emerging markets (unhedged)	1.8	5.1	7.8
Global small companies (unhedged)	2.0	1.3	12.8
Global listed property	2.8	14.6	9.6
Cash	0.1	1.7	2.0
Australian fixed income	-0.5	11.1	5.3
International fixed income	-0.6	9.8	5.0

Source: JP Morgan & ANZ, 30 September 2019.

Indices: Australian shares: S&P/ASX 300 Accumulation | Global shares (hedged/unhedged): MSCI World ex Aust Net | Global emerging markets: MSCI Emerging Markets Net in AUD (unhedged) | Global small companies: MSCI World ex Aust Small Cap (unhedged) | Global listed property: FTSE EPRA/NAREIT Developed Rental Index ex Australia (hedged) | Cash: Bloomberg AusBond 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 30/9	% change in 1 month	% change in 12 months
AUD/USD	0.68	0.3	-6.6
AUD/Euro	0.62	1.0	-0.5
AUD/Yen	73.0	1.9	-11.2
Trade weighted index	59.2	0.5	-4.8

Source: Bloomberg & ANZ, 30 September 2019. All foreign exchange rates are rounded to two decimal places where appropriate.

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