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April 2019 Market Wrap

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The Australian equity and fixed income markets ended April in firmly positive territory. A lower than expected inflation print has increased the hopes of a rate cut.

Consumer price inflation (CPI) was unchanged in the March quarter and rose by just 1.3% over the year. Underlying CPI grew by just 1.42% over the year, the equal-lowest rate on record. The RBA's medium-term underlying inflation target is 2% to 3%.

Financial markets now see a 25 basis point rate cut from the RBA on May 7 as a two-in-three chance, with those odds moving to beyond 100% by the time the RBA meets in June. A further 25 basis point reduction – taking the rate to 1% is also fully priced to occur by February next year.

My view, the cut will not happen before the election and we need to see another inflation print (this could be a rouge number). At best, I think the RBA will move from neutral to an easing basis and watch the numbers. Always worth noting this is looking in rear view mirror. Is it isold news.

The election has a large bearing on RBA policy and the two major parties are polls a part. Labor big Government, high taxes & high spending, Libs/Nationals small Government much of the same. To move monetary policy without a clear picture of fiscal policy, would be making a decision with half the story.

Still on the Federal Election, Sportsbet has a 'Sworn in Government' at: Labor \$1.30, Coalition \$3.50, Greens \$201, One Nation \$251 and United Australia Party \$301. Take from that what you will.

The property market cycle continues its correction with lower transaction volumes, increased days on market, larger vendor's discounts, slower credit growth and reduced investment lending all at play. Historically low interest rates support of the market has been blunted by the Royal commission review of reasonable lending, run off of interest only loans, and questions around changes to negative gearing laws. "Markets do not like uncertainty".

RBA's last view on the economy and Rates "The low level of interest rates is continuing to support the Australian economy. Further progress in reducing unemployment and having inflation return to target is expected, although this progress is likely to be gradual. Taking account of the available information, the Board judged that it was appropriate to hold the stance of policy unchanged at this meeting. The Board will continue to monitor developments and set monetary policy to support sustainable growth in the economy and achieve the inflation target over time".



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International equities gained steam in April, powered by positive earnings, potential progress in U.S./China trade talks, and recent dovish sentiment from the Fed.

Summary of Major share indices

Index	1 Month	52 Weeks	YTD
DJIA	+1.58%	+10.32%	+14.00%
Nasdaq	+3.14%	+13.53%	+22.01%
S&P 500	+2.74%	+10.96%	+17.51%
Russel 2000	+2.44%	+2.64%	+17.99%
Europe 600 Index	+1.64%	+1.56%	+15.90%
UK FTSE 100 Index	+0.37%	-1.36%	+10.26%
Hong Kong Hang Seng	+0.46%	-3.60%	+14.91%
Japan Nikkei 225	-1.84%	-0.93%	+11.21%
China Shanghai Composite	-2.90%	-0.13%	+23.43%
ASX 200 (Australia)	+2.37%	+10.41%	+13.51%

Australian Dollar

	Close	52 week Range
AUD	0.7045%	0.6740-0.7677%

Government Bonds

	Close	52 week Range
US 3 Month	2.428%	1.813-2.487%
US 10 Years	2.50%	2.341 – 3.263%
US 30 Years	2.927%	2.789 - 3.465%
Australia 10 years	1.80%	1.734-2.946%

Source: Wall Street Journal.

If you have any questions or concerns, please don't hesitate to contact me.

Regards

Michael Clapham