Antipodean Advisory

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## May 2019 Market Wrap — Monday 3 June 2019

The Australian equity market completed May in positive territory while global equity markets had a challenging month. The fixed income markets ended May in firmly positive territory. With Australia 10 years Bond rates hitting another record low yield 1.46%.

So why the moves? Between trade, tweets, weak data and more tweets investors are exhausted and confused for good reason.

So to the facts:

- Libs won the election (market liked this)
  - Australian voted for smaller Government & lower taxes
- Trade wars
  - China USA deal looks a long way off
  - USA – Mexico (Friday night tweet tweet)
- Geopolitical environment
  - We may have reached a tipping point with regards to nationalistic tendencies
    - Question what this does for growth

The world has benefitted tremendously from globalization over the last 30 years. However, there is a growing sense that we could be approaching a period of what Dutch trend-watcher, Adjiedj Bakas, coined back in 2015 as "Slowbalization"

In the near-term the G20 is the next big catalyst to watch. Whether globalization or slowbalization wins will be the question. Expectation are very low.

Market views -

- Interest Rates
  - The Reserve Bank meets tomorrow
    - Expectation is a rate cut of 25 bpts (cash rate to 1.25%)
    - From here the boys do how low you can go!
      - Another 25bpts cut is expected in August
      - Then a call of one or two more bringing rates to 0.75% or 0.50%
- Fiscal Simulates
  - Libs to legislate personal tax cuts
    - Cash in households pockets

My view, we have had two quarters of no action due to the Royal commission, bank bashing and the election white noise.  All bad for decision making, economic activity and growth. This activity (lack of) will be pulled in the last two quarter of the year. Monetary and fiscal simulates combined with political certainty will see activity spike pushing growth back to trend.

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The property market cycle continues its correction with lower transaction volumes, increased days on market, larger vendor's discounts, slower credit growth, increased supply, record high consumer debt levels and reduced investment lending all at play. The market has been blunted by the Royal commission review of reasonable lending, run off of interest only loans bring much tighter credit conditions. Positives for property are possible rate cuts and the removal of changes to negative. This should help clear some of the excess stock on/coming to market.

**Summary of Major share indices**

| Index | 1 Month | 52 Weeks | YTD |
|---|---|---|---|
| **DJIA** | -6.38% | +0.73% | +6.38% |
| **Nasdaq** | -8.71% | -1.34% | +12.33% |
| **S&P 500** | -6.57% | +0.64% | +9.78% |
| **Russel 2000** | -9.20% | -11.07% | +8.67% |
| **Europe 600 Index** | -5.46% | -4.61% | +9.30% |
| **UK FTSE 100 Index** | -2.97% | -7.01% | +6..44% |
| **Hong Kong Hang Seng** | -10.57% | -11.78% | +4.08% |
| **Japan Nikkei 225** | -7.45% | -7.08% | +2.93% |
| **China Shanghai Composite** | -5.84% | -5.74% | +16.23% |
| **ASX 200 (Australia)** | +1.71% | +11.08% | +15.46% |

**Australian Dollar**

| | Close | 52 week Range |
|---|---|---|
| **AUD** | 0.6932% | 0.6740-0.7677% |

**Government Bonds**

| | Close | 52 week Range |
|---|---|---|
| **US 3 Month** | 2.350% | 1.897-2.487% |
| **US 10 Years** | 2.130% | 2.124 – 3.263% |
| **US 30 Years** | 2.569% | 2.567 - 3.465% |
| **Australia 10 years** | 1.468% | 1.468-2.858% |

*Source: Wall Street Journal.*

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

Regards

**Michael Clapham**