

# Market Watch

ANZ Wealth Chief Investment Office  
December 2018

## Shares plummet; bonds rally

- December was a poor month for share investors as a concerning mixture of rising US interest rates, a slowdown in eurozone business confidence, weaker Chinese growth and rising political tensions saw global markets plummet. Global shares fell 8.3% and 4.3% in hedged and unhedged terms respectively.
- US shares led the decline with the S&P 500 declining 9.2% during the month, ending the year down 6.2%. Markets have started to worry that the impact of the tax cuts which helped boost growth in 2018 would fade by the first half of 2019.
- Despite softer economic data out of the eurozone, the European Central Bank ended its quantitative easing programme in December, unwinding its monthly 15 billion euros in bond purchases.
- Disappointing export, retail and industrial production data from China also dampened markets. While China seeks to stimulate the economy through monetary and fiscal measures, external headwinds such as the ongoing trade negotiations with the US will likely be a source of additional risk.
- On the positive front, both local and international bonds rallied strongly in December, proving themselves as a good source of diversification in times of market uncertainty.
- The Australian dollar fell to just above US70c as market volatility heightened, down 3.5% from November.

## Major asset class performance (%)

Asset classes	1 month	12 months	5 years (p.a.)
<b>Australian Shares</b>	-0.2	-3.1	5.6
<b>Global Shares (hedged)</b>	-8.3	-7.6	7.4
<b>Global Shares (unhedged)</b>	-4.3	1.5	9.8
<b>Global Emerging Markets (unhedged)</b>	1.0	-5.1	6.6
<b>Global Small Companies (unhedged)</b>	-6.0	-4.2	9.1
<b>Global Listed Property</b>	-6.8	-4.3	8.0
<b>Cash</b>	0.2	1.9	2.2
<b>Australian Fixed Income</b>	1.5	4.5	4.7
<b>International Fixed Income</b>	1.4	1.7	4.8

Source: JP Morgan & ANZ Wealth, 31 December 2018.

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 Small Cap ex Australia, 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 31/12	% change 1 month	% change 12 months
<b>AUD/USD</b>	0.70	-3.5	-9.7
<b>AUD/euro</b>	0.61	-4.8	-5.5
<b>AUD/yen</b>	77.3	-6.8	-12.2
<b>Trade weighted index</b>	60.7	-4.1	-6.5

Source: Bloomberg & ANZ Wealth, 31 December 2018. All foreign exchange rates are rounded to two decimal places where appropriate.

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