


Quarterly Market Commentary as at 31 December 2019*

Market Indices	Returns as at 31 December 2019					
	3 mth (%)	6 mth (%)	1 yr (%)	3 yr (% p.a.)	5 yr (% p.a.)	10 yr (% p.a.)
Australian Shares						
S&P/ASX 200 Accumulation Index	0.7	3.1	23.4	10.3	9.0	7.9
International Shares						
MSCI All Countries World Net Index (AUD)	4.5	8.7	26.8	13.6	11.8	11.5
Australian Fixed Interest						
Bloomberg AusBond Composite 0+ Yr Index	-1.3	0.6	7.3	5.1	4.2	5.7
International Fixed Interest						
FTSE World Broad Investment Grade Index AUD Hedged	-0.9	1.6	7.4	4.1	4.2	6.2
Property						
S&P/ASX 200 A-REIT Accumulation Index	-1.0	-0.1	19.4	9.1	10.9	11.5
Cash						
Bloomberg AusBond Bank Bill Index	0.2	0.5	1.5	1.7	1.9	2.9
Currency						
AUD/USD	4.2	0.2	-0.1	-1.0	-3.0	-2.4

Financial markets commentary:

The Reserve Bank of Australia (RBA) cut the official cash rate by 25 bps to 0.75% in October, with interest rates remaining on hold for the remainder of the year. GDP data for the September quarter confirmed that growth remains subdued and below long-term averages with the Australian economy expanded just 0.4% during the period. Despite consumers having additional disposable income following tax cuts and lower mortgage costs, the retail sales were weak too. The job market slightly improved in November and the house prices continued to rise which could help support sentiment in 2020. The Australian dollar appreciated against the US Dollar gaining 4.2%, finishing the quarter at 70 US cents.

The S&P/ASX 200 Accumulation Index rose 0.7% over the December quarter. Returns marginally increased with investors cautiously weighing in the weaker GDP results and the expected additional interest rate cuts on the economy. The Healthcare and Energy sectors were the best performers for the quarter returning 14.0% and 6.3% respectively. Financials was the worst performing sector for the quarter returning -7.8%.

Progress on the US-China trade discussions with the agreement of a 'phase one' trade deal, clear pathway for the Brexit completion weighed positively on the global economy during the quarter. The MSCI All Country World Index rose 4.5% in AUD terms and returned 8.9% in USD terms.

Responding to the deteriorating economic indicators, US Federal Reserve lowered cash rate by 25 bps in October, which was the third cut in 2019. Optimism over US and China trade deal perceived reduction in geopolitical risk rose the government bond yields higher during the quarter. US 10-year government bond yields were up 26 bps, finishing the quarter at 1.9%. UK and German 10-year yields increased 33 and 39 bps respectively to 0.8% and -0.2% respectively. Australian 10-year government bond yields increased by 35 bps to 1.4%. The Bloomberg AusBond Bank Bill Index returned 0.2% for the 3 months.

*Source: This commentary has been prepared by The Colonial Mutual Life Assurance Society Limited ABN 12 004 021 809 AFSL 235035 (CMLA) and is general information only.