



Trade concerns flatten returns

- Share markets delivered solid returns in June. However, the gap between robust returns across most developed markets and weak returns in emerging markets continued. Australian equities continue to perform strongly.
- While the fundamentals remain supportive, steady tightening by the US Federal Reserve (Fed) and a further escalation in trade wars has dented returns, particularly for emerging markets which fell -1.8% this month.
- Reflecting these concerns the Australian dollar has fallen sharply which contributed to the strong performance of unhedged global equities this month.
- The strong returns in Australian fixed income reflected subdued Australian wages and inflation and expectations that the Reserve Bank of Australia will be on hold for some time.
- US economic momentum has recovered solidly from the soft patch in the first quarter and this supported the Fed to tighten again.
- Euro zone economic momentum has slowed likely reflecting the headwinds from a further escalation in trade wars.
- The Reserve Bank of Australia left interest rates on hold. This reflected the balance of weak wages and inflation growth and a further softening in housing data. Despite these headwinds confidence measures remain above trend and the earnings outlook has brightened.

Major asset class performance (%)

Asset classes	1 month	12 months	5 years (p.a.)
Australian Shares	3.2	13.2	10.0
Global Shares (hedged)	0.3	11.5	12.9
Global Shares (unhedged)	2.3	15.4	14.9
Global Emerging Markets (unhedged)	-1.8	12.3	9.6
Global Small Companies (unhedged)	2.1	19.2	16.6
Global Listed Property	2.7	5.5	9.4
Cash	0.2	1.8	2.2
Australian Fixed Income	0.5	3.1	4.4
International Fixed Income	0.2	1.9	5.0

Source: JP Morgan & ANZ Wealth, 30 June 2018.

Indices: Australian Shares - S&P / ASX 300 Accumulation, Global Shares (hedged/unhedged) - MSCI World ex Australia Net, Global Emerging Markets - MSCI Emerging Free 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 30/6	% change 1 month	% change 12 months
AUD/USD	0.74	-2.2	-3.7
AUD/euro	0.63	2.1	-5.8
AUD/yen	82.0	0.4	-5.1
Trade weighted index	62.6	-0.3	-4.4

Source: Bloomberg & ANZ Wealth, 30 June 2018. All foreign exchange rates are rounded to two decimal places where appropriate.

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