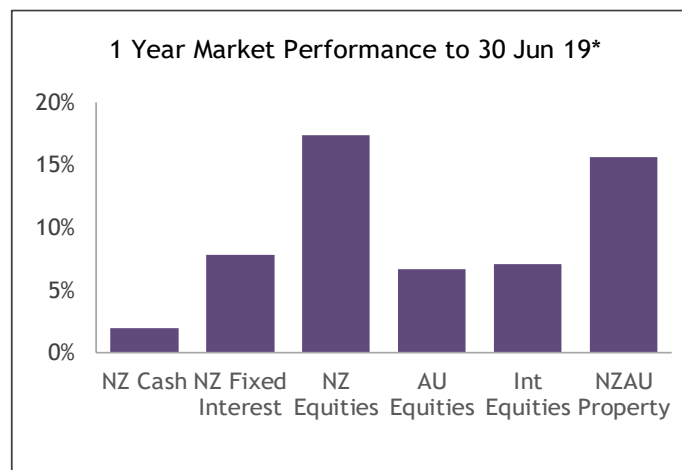
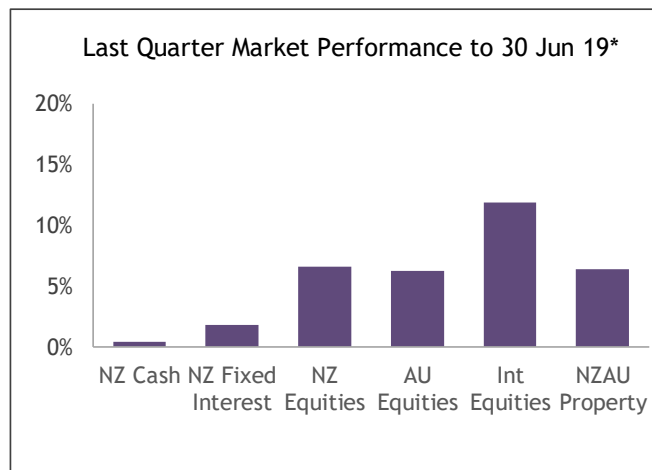


IWIinvestor Market Review: June 2019

Tirohanga ki te makete mō Pipiri 2019

Te pu takitahi, nga weuweu takitini: From the one seed grows many strands

Market Overview



*Benchmarks; NZX 90 Day Bank Bill, NZX Composite A Grade, NZX50, ASX200 (NZD), MSCI World (NZD), NZX Prop/ASX200 Prop comp

The June quarter ended with share markets in many regions at record high and yields on their fixed interest markets at record low. These trends paint an opposing outlook for the global economy with the share markets suggesting continuation of economic health while the fixed interest market suggesting difficult times ahead. Both can't be right and the answer may lie in between.

Global economic growth is slowing led by the uncertainties created by the US trade policies with many of its trading partners, China in particular. Central banks, noting the weakness in the global economy, are responding with rate cuts or prospects of rate cuts, with the share market believing that will restore growth momentum but the fixed interest markets do not appear to agree.

Quarter Benchmark Performance:



NZ Fixed Interest up 1.8%



NZ Equities: up 6.7%



Australian Equities: up 6.3% (NZD), up 8.0% (local currency).



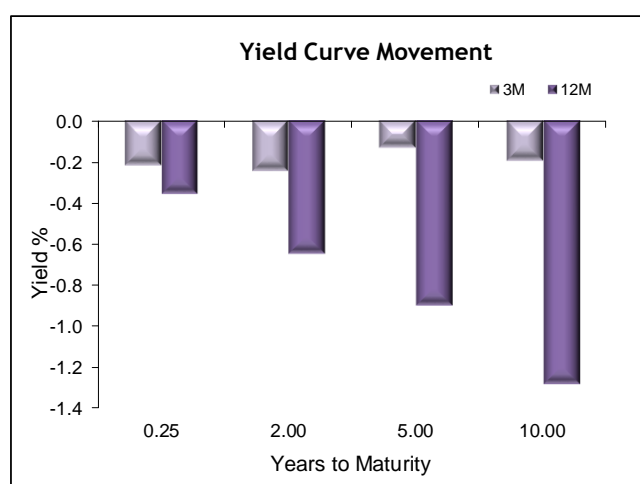
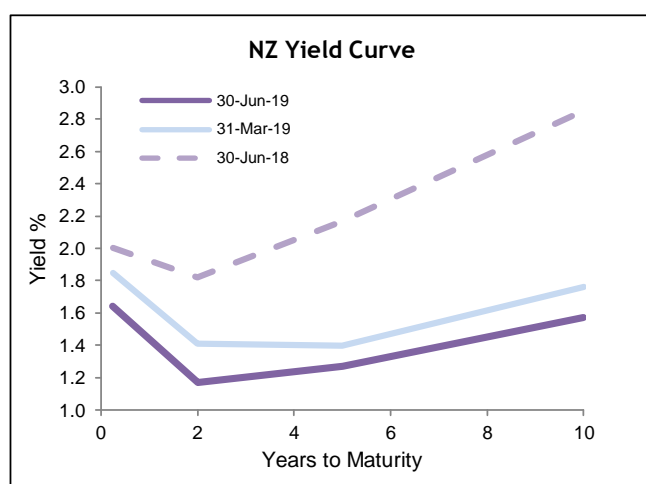
International Equities: up 11.9% (NZD), up 3.6% (local currency).



NZ Cash & Fixed Interest

Interest Rates (basis points)	Level	3M	6M	1Y	3Y	5Y	10Y	15Y
90 Day NZ Bank Bill	1.64	-11.4%	-16.8%	-18.0%	-12.0%	-14.7%	-5.3%	-8.5%
10 Year NZ Govt Bond	1.57	-10.8%	-34.0%	-44.9%	-12.5%	-18.7%	-12.5%	-8.9%
10 Year US Govt Bond	2.00	-17.1%	-25.8%	-29.5%	10.3%	-4.6%	-5.5%	-5.4%

The Cash rate was cut once by our Reserve Bank to 1.5% in May with indications that further cuts are likely. Other central banks have either also cut their cash rate or have suggested further easing is likely. These sentiments and the persistently low inflation in major economies has seen both the short term and long-term interest rates ease in the quarter. In New Zealand, the 90-day bank bill and the 10 Year Government bond both declined by around the 0.25% cut of the Cash rate. The 10 year government bond yield of 1.57% provides little return, if any, after tax and inflation.



New Zealand & Australian Equities

Equities (gross return)	Level	3M	6M	1Y	3Y	5Y	10Y	15Y
NZX50	10,501	6.7%	19.2%	17.4%	15.0%	15.4%	14.1%	9.5%
ASX200 (Local)	70,292	8.0%	19.7%	11.5%	12.9%	8.9%	10.0%	9.0%
ASX200 (NZD)		6.3%	19.2%	6.6%	13.0%	8.2%	8.2%	8.6%

The Australasian share markets both provided solid gains over the quarter despite the volatility in the international markets. The interest rate cuts by the central banks saw investors chasing higher yielding dividend companies while politics also provided support. In New Zealand, the coalition government dropped the prospects of capital gains tax. In Australia, the re-election of the Liberal coalition saw the prospects of tax cuts and the threat of changes to 'negative gearing and dividend imputation' removed.

Property and utility companies rose as investors chased dividend yielding companies given low return in fixed interest and the resource sector was strong on back of commodity prices, particularly iron ore.



International Equities

Equities (gross return)	Level	3M	6M	1Y	3Y	5Y	10Y	15Y
MSCI World (Local)	4,831	3.6%	16.7%	6.7%	12.0%	8.2%	11.3%	7.1%
MSCI World (NZD)		11.9%	17.3%	7.1%	14.2%	12.5%	10.4%	6.6%

International equities were volatile during the quarter (April +3.1%, May -6.1% and June +6.5%) but gained 3.6% overall. Trade tensions pulling the markets lower while expectation of interest rate cuts lifting sentiment.

At the European Central Bank, President Draghi noted that “in the absence of improvement additional stimulus will be required”. In the US Federal Reserve, Chair Powell said “The case for somewhat more accommodative policy has strengthened.”

Politics continues to be a side-line issue but the US skirmish with Iran could have major implications on oil price if it escalates, which both parties will seek to avoid.

Property (gross return)	Level	3M	6M	1Y	3Y	5Y	10Y	15Y
NZX Property	1,543	10.6%	19.0%	25.4%	9.7%	13.0%	13.2%	10.0%
ASX200 Property (Local)	3,728	3.8%	18.4%	10.8%	3.0%	8.4%	7.9%	-0.1%
ASX200 Property (NZD)		2.1%	17.9%	5.9%	3.1%	7.8%	6.1%	-0.4%
Currencies (% change)	Level	3M	6M	1Y	3Y	5Y	10Y	15Y
NZD / AUD	0.9561	1.6%	0.4%	4.6%	-0.1%	0.6%	1.7%	0.3%
NZD / USD	0.6694	-7.1%	-0.3%	-0.7%	-2.1%	-5.2%	0.3%	0.4%
NZ TWI	73.2	-1.5%	-0.4%	1.0%	-1.3%	-2.1%	1.8%	0.9%
Commodities (% change)	Level	3M	6M	1Y	3Y	5Y	10Y	15Y
Oil Prices (US\$/WTI)	58.47	-2.8%	28.8%	-21.1%	6.6%	-11.1%	-1.8%	3.1%
CRB Index	181.04	-1.5%	6.6%	-8.3%	-2.0%	-10.1%	-3.2%	-2.5%

