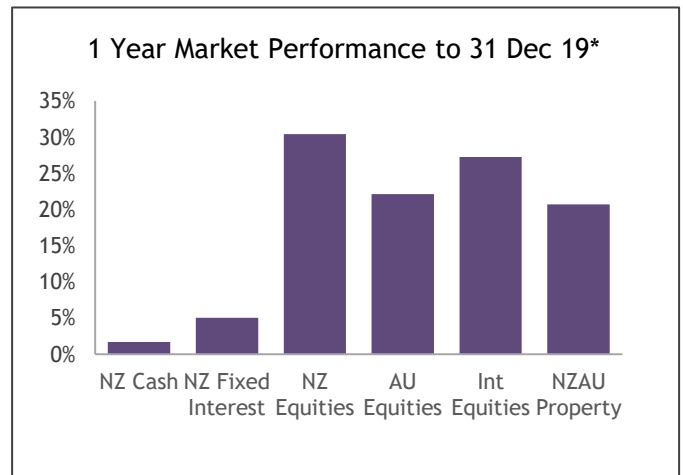
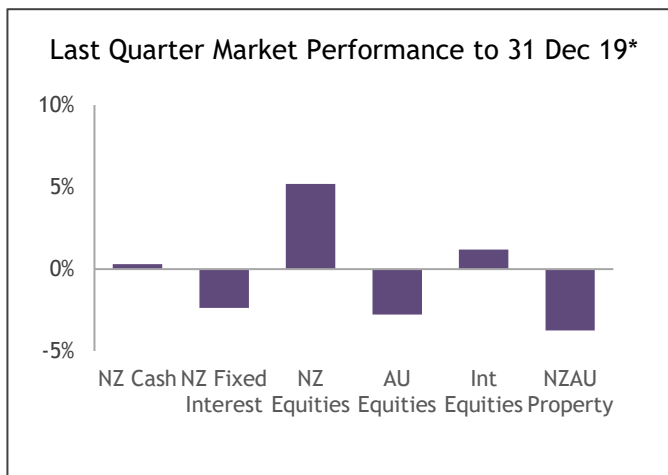


IWIinvestor Market Review: December 2019

Tirohanga ki te makete mō Hakihea 2019

Kotahi te pu o nga mea katoa: There is but one source to all things

Market Overview







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

While there were periods of short term volatility in the financial markets during the December quarter, the optimism of some trade deal between the United States and China (later confirmed), stabilisation in the global economic outlook and central banks pausing on rate cuts, financial markets reacted. Share markets rose strongly with many closing at record highs while bond yields rose significantly to incur losses on many fixed interest portfolios.

On the political front, the Trump impeachment saga continues, the UK General Election provided mandate for the Conservative government to exit the European Union on 31 January and tensions in the Middle East continues. The latter seeing relationship between Iran and the US reach a new low in early January which is likely to impact investor sentiment in the near term.

The December quarter reporting season commences shortly in the Northern Hemisphere which will influence near term sentiment.

Quarter Benchmark Performance:

-  NZ Fixed Interest down -2.4%
-  NZ Equities: up 5.2%
-  Australian Equities: down -2.8% (NZD), up 0.7% (local currency).
-  International Equities: up 1.2% (NZD), up 7.5% (local currency).

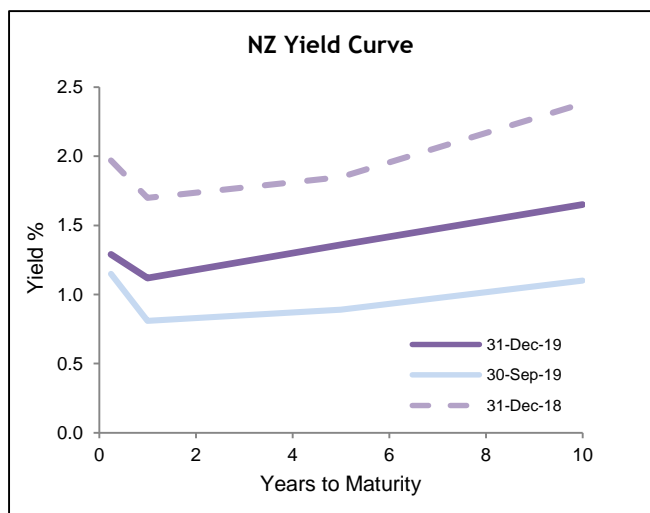
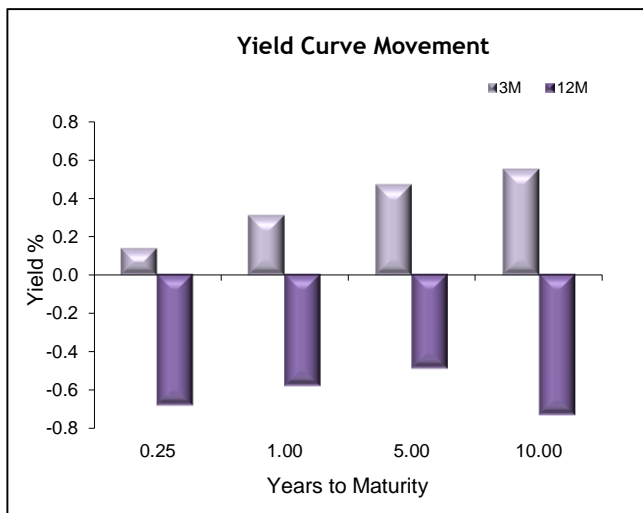


NZ Cash & Fixed Interest

Bonds (gross return)	Level	3M	6M	1Y	3Y	5Y	10Y	15Y
NZX 90 Day Bank Bill	729	0.3%	0.7%	1.7%	1.9%	2.3%	2.6%	4.1%
NZX Govt Bond Index	1,834	-2.9%	-0.1%	4.9%	5.0%	4.8%	5.4%	5.7%
NZX Composite A Grade	5,098	-2.4%	0.2%	5.0%	5.1%	4.8%	5.5%	5.9%

The Reserve Bank held the Official Cash rate at 1% as economic outlook stabilised globally and improved in New Zealand as the Government embarks on an expenditure programme targeting infrastructure and wellness (education, health etc). Further the adverse impact of the higher capital ratio required of the banks was diluted in the final determination by the Reserve Bank.

While global bond yields rose in the December quarter, this was more pronounced in New Zealand with the 10 year bond dipping below 1% in August and October and closing at 1.65% at December end. Bond portfolios are likely to incur losses in the quarter.



New Zealand & Australian Equities

Equities (gross return)	Level	3M	6M	1Y	3Y	5Y	10Y	15Y
NZX50	11,492	5.2%	9.4%	30.4%	18.6%	15.6%	13.5%	9.2%
ASX200 (Local)	72,445	0.7%	3.1%	23.4%	10.3%	9.0%	7.9%	8.0%
ASX200 (NZD)		-2.8%	2.5%	22.2%	10.3%	8.8%	6.0%	7.7%

The Australasian share markets closed at record levels but had different momentum as the years closed. The New Zealand share market continued to gain from the demand for higher income yield but could not match international markets given our high valuation. The Australian market was relatively stalled as the banking sector continues to lose value.

Some gloss of the New Zealand share market performance was removed with the announcement of:

- A review of the future of the Tiwai Point aluminium smelter by its owners, impacting electricity generators share price; and
- The Commerce Commission review of the retail fuel market to benefit competition affecting Z Energy but also heightens the risk on the electricity sector.



International Equities

Equities (gross return)	Level	3M	6M	1Y	3Y	5Y	10Y	15Y
MSCI World (Local)	5,272	7.5%	9.1%	27.3%	11.8%	9.2%	10.2%	7.3%
MSCI World (NZD)		1.2%	8.5%	27.3%	13.6%	12.0%	10.2%	7.4%

Global share markets rose strongly in the quarter led by the United States, Emerging markets and Japan. The US market rose and ebbed on tweets on the negotiations on the US / China trade talks and confirmed in mid-December of an agreement on phase 1 deal. Emerging markets was dominated by the performance of the Chinese market which also followed investor sentiment on news of the trade negotiations but also its economy appears to be stabilising. The Japanese share market rose following the re-election of Shinzo Abe as Prime Minister fuelling optimism of further reform.

Returns for New Zealand investors in the international markets was adversely impacted by the strength of the NZ dollar against the US dollar which rose from 63c to 67c in the quarter. For the year, the kiwi was steady.

The Northern Hemisphere corporate earnings report for the December quarter will commence in mid-January which will provide investors with further evidence of the state of corporate health and outlook.

Property (gross return)	Level	3M	6M	1Y	3Y	5Y	10Y	15Y
NZX Property	1,635	-1.8%	5.9%	26.1%	13.6%	11.5%	11.9%	9.5%
ASX200 Property (Local)	3,669	-2.4%	-1.6%	16.5%	3.9%	5.9%	5.8%	-1.0%
ASX200 Property (NZD)		-5.7%	-2.2%	15.3%	3.9%	5.7%	3.9%	-1.3%
Currencies (% change)	Level	3M	6M	1Y	3Y	5Y	10Y	15Y
NZD / AUD	0.9617	3.6%	0.6%	1.0%	0.0%	0.2%	1.8%	0.3%
NZD / USD	0.6735	7.3%	0.6%	0.3%	-0.9%	-2.9%	-0.7%	-0.4%
NZ TWI	73.8	5.1%	0.8%	0.5%	-1.7%	-1.4%	1.1%	0.5%
Commodities (% change)	Level	3M	6M	1Y	3Y	5Y	10Y	15Y
Oil Prices (US\$/WTI)	61.06	12.9%	4.4%	34.5%	4.4%	2.8%	-2.6%	2.3%
CRB Index	185.79	6.8%	2.6%	9.4%	-1.2%	-4.2%	-4.1%	-2.8%

