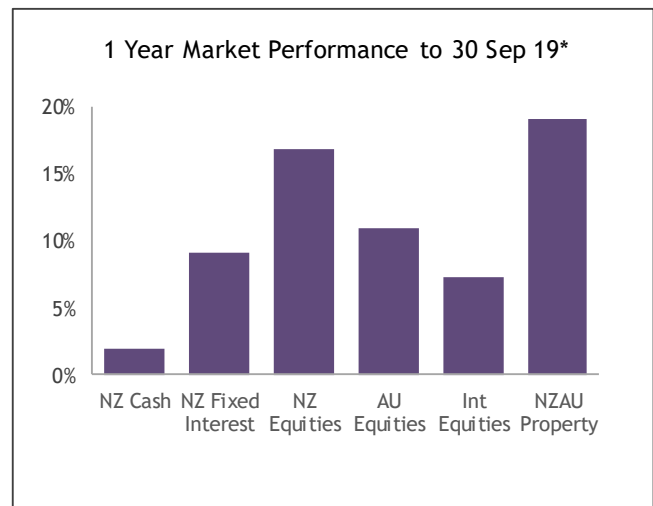
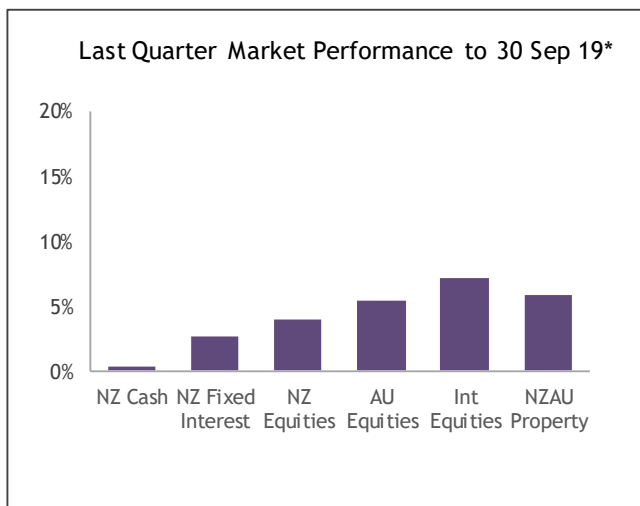


## IWIinvestor Market Review: September 2019

Tirohanga ki te makete mō Mahuru 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

Against the background of slowing global economy, subdued inflationary pressures, continued trade friction and political issues, share markets were volatile but at elevated levels and interest rates eased further. These factors have led to uncertainty amongst decision makers (politicians, central banks, businesses and consumers) and until they are resolved, the trends in the financial markets are likely to continue.

Trade tensions imposed by the US administration is the major cause of the uncertainty leading to adverse impact on the economies of the US and China and the follow-on effect on countries that trade with them.

Geopolitical events have also contributed to the uncertainty with the impeachment enquiry in the US, Brexit debacle in the UK and renewed tensions in the Middle East.

### Quarter Benchmark Performance:



NZ Fixed Interest up 2.7%



NZ Equities: up 4.0%



Australian Equities: up 5.4% (NZD), up 2.4% (local currency).



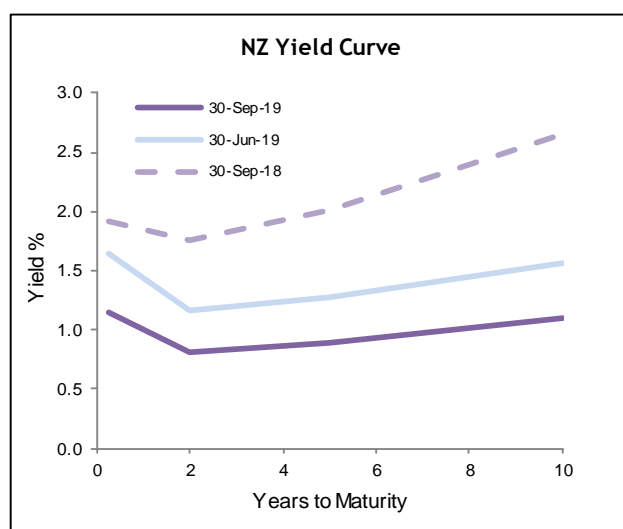
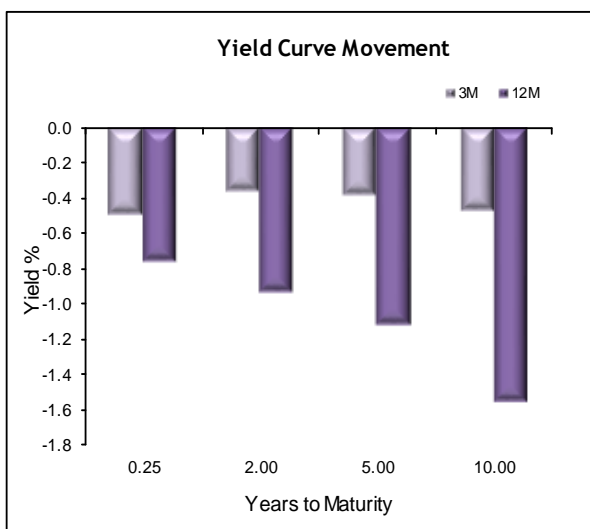
International Equities: up 7.2% (NZD), up 1.5% (local currency).



## NZ Cash & Fixed Interest

Interest Rates (basis pc)	Level	3M	6M	1Y	3Y	5Y	10Y	15Y
90 Day NZ Bank Bill	1.15	-29.9%	-37.8%	-39.8%	-19.4%	-20.8%	-8.5%	-11.1%
10 Year NZ Govt Bond	1.10	-29.9%	-37.5%	-58.5%	-21.9%	-23.3%	-15.0%	-10.8%
10 Year US Govt Bond	1.68	-16.3%	-30.6%	-45.2%	1.5%	-7.8%	-6.6%	-5.9%

The larger than expected 0.5% cut in the Official Cash rate to 1% by our Reserve Bank in August set the tone for lower interest rates across the yield curve. The cut was prompted by slowing global economy, weak domestic business sentiment and contained inflationary pressures. Term deposit rates have eased and the 10-year Government bond was briefly below 1% in August. The Reserve Bank's final decision on its capital proposal in December is likely to have further impact on interest rates.



## New Zealand & Australian Equities

Equities (gross return)	Level	3M	6M	1Y	3Y	5Y	10Y	15Y
NZX50	10,926	4.0%	11.0%	16.8%	14.1%	15.8%	13.2%	9.4%
ASX200 (Local)	71,955	2.4%	10.5%	12.5%	11.9%	9.5%	8.1%	8.8%
ASX200 (NZD)		5.0%	11.6%	10.6%	12.6%	8.6%	6.8%	8.8%

The Australasian share markets have a high-income component to total returns than global markets. Consequently the easing in interest rates has led to increased demand for higher dividend yielding companies while the weakness in their currencies has lifted demand for shares in export companies and those with substantial offshore earnings. Despite the weakness in the global economy, the Australasian share markets reached record high in July and remain close to their peak.

The influence of income in the NZ share market is shown by the difference in return in the September quarter by the NZX50 Capital index (price only) of 2.8% and the NZX50 Gross index (price and dividend) of 4.0%.



## International Equities

Equities (gross return)	Level	3M	6M	1Y	3Y	5Y	10Y	15Y
MSCI World (Local)	4,905	1.5%	5.2%	2.9%	10.9%	8.4%	9.9%	7.3%
MSCI World (NZD)		7.2%	20.0%	7.3%	15.8%	12.0%	10.4%	7.6%

Sentiment in the international share markets are largely influenced by the sentiment in the US share market.

The US share market was volatile during the quarter but up 1.2% and after reaching record high in July, remains close to its peak. Despite the slowing US economy and easing interest rates, the strength in its share market is influenced by its fair market valuation and sentiment around the success or otherwise of resolving the US / China trade tension and the US Federal Reserve's ability to revive economic growth with its monetary policies.

While the MSCI World gross index was up 1.5% in the quarter, unhedged New Zealand investors achieved a 7.2% gain given the decline in the NZ dollar from 67c to 63c.

The Northern Hemisphere corporate earnings report for the September quarter will commence in October 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	1,665	7.9%	19.3%	29.1%	11.7%	14.1%	12.3%	10.3%
ASX200 Property (Local)	3,758	0.8%	4.6%	10.7%	4.1%	8.4%	5.4%	-0.3%
ASX200 Property (NZD)		3.8%	6.0%	9.2%	4.9%	7.6%	4.1%	-0.2%
Currencies (% change)	Level	3M	6M	1Y	3Y	5Y	10Y	15Y
NZD / AUD	0.9287	-2.9%	-1.3%	1.4%	-0.8%	0.8%	1.2%	0.0%
NZD / USD	0.6277	-6.2%	-12.9%	-5.1%	-4.9%	-4.3%	-1.3%	-0.4%
NZ TWI	70.2	-4.1%	-5.5%	-2.6%	-3.0%	-1.5%	0.7%	0.2%
Commodities (% change)	Level	3M	6M	1Y	3Y	5Y	10Y	15Y
Oil Prices (US\$/WTI)	54.07	-7.5%	-10.1%	-26.2%	3.9%	-9.9%	-2.6%	0.6%
CRB Index	173.94	-3.9%	-5.3%	-10.9%	-2.3%	-9.0%	-3.9%	-3.2%

