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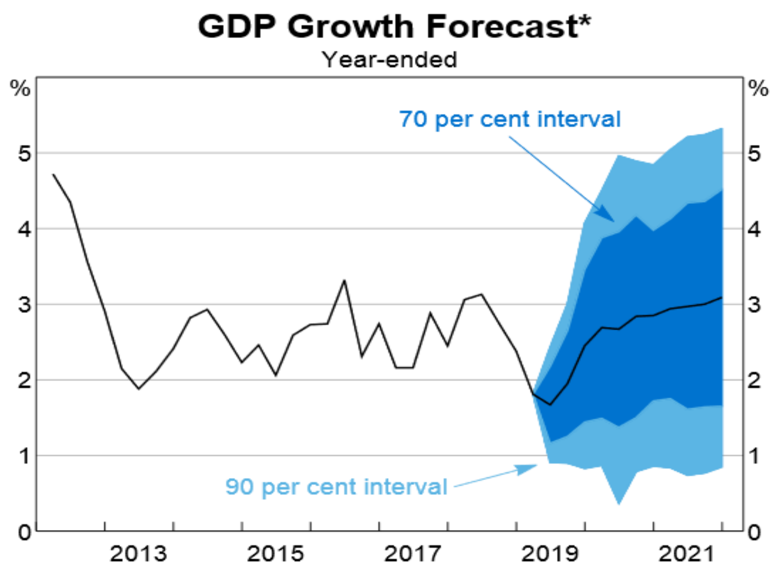
August 2019 Market Wrap — Monday 2 September 2019

The S&P/ASX 200 fell by 3% on two consecutive days in early August, as global trade worries brought a return of volatility to the equity markets. However, the month's final week hosted gains on four out of five days; the benchmark closed August only 3% away from July's all-time high and remains up by more than 20% year to date.

The Australian dollar has depreciated over recent months and is at its lowest level of recent times. The depreciation over the past year is consistent with the decline in Australian bond yields relative to those in other major markets over that period.

Slow growth in household incomes has dampened consumption spending for some time. Household incomes will receive a boost in the second half of 2019 from the low and middle-income tax offset. The outlook for consumption more broadly continues to be the main uncertainty facing the domestic economy, especially in the context of ongoing high levels of household debt.

The investment outlook in Australia more generally is broadly positive. Non-mining business investment continues to expand at a moderate pace, supported by a solid pipeline of non-residential building work and infrastructure projects (particularly transport and renewable energy). Infrastructure projects have also been an important element of public demand's ongoing support to growth.



* Confidence intervals reflect RBA forecast errors since 1993
Sources: ABS; RBA

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Global growth remains reasonable, but the risks have become more clearly tilted to the downside. Global trade has declined noticeably in the context of continuing trade and technology disputes. There is considerable uncertainty about possible future tariff measures and the potential for global technological standards to become fragmented. This uncertainty has weighed on investment and investment intentions in a number of economies and poses a significant risk to the global outlook.

In response to the weaker growth outlook and ongoing low inflation, a number of central banks have lowered policy interest rates in recent months. This has added to already accommodative financial conditions. Sovereign bond yields have declined further – in many cases to historical lows – and credit spreads remain narrower than a year ago. Equity market valuations have generally been supported by the effect of accommodative monetary policies on risk-free yields and positive expectations for earnings growth, though prices have declined recently in response to heightened concern about the trade and technology disputes. These expansionary financial conditions have also benefited emerging markets, although risks surrounding global trade developments remain.

Summary of Major share indices

Index	1 Month	52 Weeks	YTD
DJIA	-0.31%	+1.69%	+13.19%
Nasdaq	-0.51%	1.81%	+20.01%
S&P 500	-0.19%	0.86%	+16.74%
Russel 2000	-2.53%	-14.13%	+10.85%
Europe 600 Index	+0.35%	-0.73%	+12.39%
UK FTSE 100 Index	-2.70%	-3.03%	+7.12%
Hong Kong Hang Seng	-4.44%	-7.76%	-0.47%
Japan Nikkei 225	-1.82%	-9.45%	+3.45%
China Shanghai Composite	+0.64%	+5.91%	+15.73%
ASX 200 (Australia)	-2.36%	+4.51%	+20.34%

Australian Dollar

	Close	52 week Range
AUD	0.6738%	0.6678-0.7394%

Government Bonds

	Close	52 week Range
US 3 Month	1.989%	1.856-2.487%
US 10 Years	1.50%	1.447 – 3.263%
US 30 Years	1.964%	1.903 - 3.465%
Australia 10 years	0.895%	0.884-2.799%

Source: Wall Street Journal.