

Your Life Quarterly Update



Your Life
Financial Services

Summer Edition December 2018

Invest In Your Life

Merry Christmas

Welcome to the Summer edition of Your Life Quarterly Update. In this edition we outline:

- Merry Christmas and a Happy New Year
- Equity Markets Review and Outlook
- Holiday Adventures : Vancouver
- Staying healthy over Christmas



Merry Christmas and a Happy New Year

We would like to wish you and your family a safe and Merry Christmas. We hope 2018 was filled with many happy memories and laughter with loved ones.

With 2019 around the corner it is a great opportunity to start thinking about what you would like to achieve in the New Year: possibly travel plans, renovating your home, start an investment plan or meet with friends you may have not seen for a while.



Global Market Update

We have outlined below the major market indices as at 1st of December 2018 and their movement over the past 12 months

Country	Index	Index 30/11/2018	% change in 12 months
Australia	ASX 200	5,667.2	-1.0%
USA	Dow Jones	25,538.5	7.6%
USA	Nasdaq	7,330.5	7.8%
UK	FTSE100	6,980.2	-0.7%
Hong Kong	Hang Seng	26,506.8	-5.9%
Japan	Nikkei	22,351.1	0.8%

The USA (Nasdaq) was the best performing index over the past 12 months.

Equity Markets Review and Outlook

Key Points

2018 saw reasonable global economic and profit growth and still low interest rates, but it has been a rough year for investors with worries about the US Federal Reserve (Fed), trade wars and global growth causing volatility and poor returns.

2019 is unlikely to see the plunge into recession many fear, with growth likely to stabilise supporting profit growth, the Fed is likely to undertake a pause in rate hikes and global monetary policy is likely to remain easy.

2018 A lot weaker than expected

After the relatively low volatility and solid returns of 2017, the past year has seen almost the complete opposite with high volatility and poor returns.

5 Negatives for 2018

1. **Fear of the US Fed.** The US Fed provided no real surprises and nor did US inflation, but investors became increasingly nervous that Fed interest rate hikes in America would crush US growth and profits.
2. **US dollar strength.** While the US dollar did not rise above its 2016 high, it caused problems in the emerging world where US dollar denominated debt is high.
3. **President Trump's trade war.** This was always a high risk for 2018 and once it got underway it weighed on share markets. While the initial focus seemed to be the US versus everyone, it morphed into fears of a new Cold War with China adding to fears about growth and profits.
4. **China slowdown.** This was as expected to around 6.5% as a result of credit tightening, but fears that it will combine with the trade war and get worse added to global growth angst.
5. **Global desynchronisation.** US growth was strong, however other economies slowed in Europe, Japan, China and the emerging world.

Australia saw growth around trend and made it through 27 years without a recession, as infrastructure spending, improving business investment and strong exports helped support growth and this in turn drove strong employment growth, a fall in unemployment and the Federal budget closer to a surplus.



In Australia credit conditions tightened significantly with the Royal Commission adding to regulatory pressure on the banks, house prices fell, wages growth edged up but remained weak and inflation remained below target, all of which saw the RBA leave rates on hold.

Overall this drove a volatile and messy investment environment.



ASX 200 - 12 month movement to December 2018

As illustrated in the table above most of the falls in Australian equities occurred in the past 2 months following the September high in 2018.

- Global shares saw weak returns in local currency terms with significant corrections around February and October. But this masked positive returns from US shares but weakness elsewhere. Global share returns were boosted on an unhedged basis because the \$A fell.
- Asian and emerging market shares paid the price for being star performers in 2017 with losses thanks to a rising US dollar causing debt servicing fears, the US trade war posing a threat to growth and political problems in some countries.
- Australian shares were hit by worries about the banks, consumer spending in the face of falling house prices and weakness in yield-sensitive telcos and utilities offsetting okay profit growth and low interest rates.

Equity Markets Review and Outlook

- Government bonds yet again had mediocre returns reflecting low yields and capital losses from rising yields in the US as the Fed hiked interest rates.
- Unlisted commercial property and infrastructure continued to do well as investors sought their still relatively high yields.
- Commodity prices were weak on global growth worries and the oil price had a roller coaster ride, first surging ahead of US sanctions on Iran then crashing as demand fell.
- Australian house prices fell led by Sydney and Melbourne.
- Cash and bank term deposit returns were poor reflecting record low RBA interest rates.
- Reflecting US dollar strength, the \$A fell not helped by a falling interest rate differential and lower commodity prices.



Dow Jones : 12 month movement to December 2018

Against this background the key global themes for the year ahead are likely to be:

- **Global growth to stabilise**

Global growth is likely to average around 3.5% which is down from 2018, however this is likely to mask slower growth in the first half of the year ahead of some improvement in the second half as China provides a bit more policy stimulus. The US Fed pauses in raising interest rates, the fall in currencies against the \$US dollar provides a boost to growth outside the US and trade war fears settle down (hopefully). Overall, this should support reasonable global profit growth.

- **Global inflation to remain low.** The US remains most at risk of higher inflation due to its tight labour market, but various business surveys suggest that US inflation may have peaked for now at around 2%.

- **Monetary policy to remain relatively easy.** The US Fed is likely to have a pause on rate hikes during the first half and maybe hike only twice in 2019 as it gets into the zone that it regards a neutral.



Implications for investors

With uncertainty likely to remain high around US interest rates, trade and growth, volatility is likely to remain high in 2019 but ultimately reasonable global growth & still easy global monetary policy should drive stronger overall returns than in 2018:

- Global shares could still make new lows early in 2019 and volatility is likely to remain high but valuations are now improved and reasonable growth and profits should see a recovery through 2019.
- Australian shares are likely to do okay but with returns constrained to around 8% with moderate earnings growth.
- Unlisted commercial property and infrastructure are likely to continue benefitting from the search for yield but it's slowing.
- National capital city house prices are expected to fall another 5% led again by 10% or so price falls in Sydney and Melbourne as tighter credit, rising supply, reduced foreign demand and potential tax changes under a Labor Government impact.

Source : Shane Oliver - 6 December 2018. Review of 2018, Outlook for 2019 - another Cycle Extension.

Total return %, pre fees and tax	2017 actual	2018* actual	2019 forecast
Global shares (in Aust dollars)	13.4	6.0	11.5
Global shares (in local currency)	18.7	0.6	9.0
Asian shares (in local currency)	36.3	-10.8	10.0
Emerging mkt shares (local currency)	30.6	-7.8	10.0
Australian shares	11.8	-2.7	8.0
Global bonds (hedged into \$A)	3.7	0.2	0.5
Australian bonds	3.7	3.0	2.0
Global listed property securities	8.2	2.7	7.0
Aust listed property trusts	5.7	1.2	7.0
Unlisted non-res property, estimate	11.0	10.0	7.0
Unlisted infrastructure, estimate	13.0	10.0	9.0
Aust residential property, estimate	5.0	-4.5	-6.0
Cash	1.8	1.8	1.7

*Yr to date to Nov. Source Thomson Reuters, Morningstar, REIA, AMP Capital

Holiday Adventures : Vancouver

What does your dream holiday look like?

Welcome to Vancouver.

Location : Vancouver

It's one of the world's most liveable cities, where cosmopolitan city living comes graced with the flair of nature's splendour.

Activities

There are a number of iconic must-sees in Vancouver that will kick-start your city sightseeing expedition. Popular sights include Capilano Suspension Bridge (137 metres long) across the Capilano River, Vancouver Aquarium, The Vancouver Lookout (located in downtown Harbour Centre) located 130 metres high.

Food

Vancouver is famous for being surrounded by spectacular water and mountain scenery, but it has also become increasingly popular for its outstanding food and drink scene. Fresh seafood is available at many restaurants. Right at the foot of Kitsilano is Granville Island with its centerpiece, Granville Island Public Market.

Must See Attractions

There are many amazing attractions including the VanDusen Botanical Gardens, FlyOver Canada flight simulation ride with the latest in projection and ride technology. You must also see Science World to ignite your mind with the wonders of science.

Distance from Sydney : Approx. 21 hours



Staying Healthy over Christmas

Wondering how you're going to survive the holiday party season? We have outlined a few tips to help during the festive season.

1. Everything starts with Breakfast

If you're going out in the evening, start the day with a generous bowl of porridge, topped with a handful of cranberries and a sprinkle of cinnamon. Porridge stabilises blood sugar levels, which helps control appetite later in the day.

2. Stay Hydrated

On the day of a big night out, and the day after, make a conscious effort to drink 6-8 glasses of water, or plenty of herbal teas or diluted juice. Even mild dehydration can lead to a headache.

3. Sensible snacking

If you are hungry when you arrive at a party, you may struggle to resist the canapés, so always have a pre-party snack. Possibly a small serve of plain yogurt with a sliced banana. The yogurt's protein slows stomach emptying, which helps delay the effects of that first glass of wine, while the potassium-rich banana helps balance any increase in your salt intake.

4. What to eat the next morning

The best 'morning after' breakfast is a frittata or omelette packed with veggies. Mushrooms are great for their energising B vitamins, tomatoes for vitamin C and onions for their liver-friendly sulphur compounds. Diced spinach is also beneficial as it is a great source of folate which helps your body repair its DNA.

Source : [bbcgoodfood](#) How to stay healthy over Christmas. 9th October 2017.
Kerry Torrens—Nutritional Therapist .



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