



## June 2018 Market Wrap

Monday 2 July 2018

The Australian share market recovered more ground in June, with the All Ordinaries index closing the month 3.27% higher at 6,195 points. The Australian Dollar closed at 0.7408 and continues to test the bottom of the 52 week range 0.7320-0.8136. Higher interest rates in the US market are making Aussie rates less attractive. Commodities markets have also pushed higher with Oil last \$73.20 and testing the highs of the 52 week range \$46.51-74.46.

Call from former Reserve Bank of Australia (RBA) board member Warwick McKibbin and central bank experts Mark Crosby and James Morley for Governor Phillip Lowe to lift the official cash rate, suggesting the current rate is unhealthy, are at odds with Lowes's public stance (*rates on hold*). That said it appears increasing funding cost will force the banks to increase mortgage rates soon. A few minor players have already moved due to the funding pressure. While offshore rates are increasing, the RBA cash rate appears to be on hold for an extended period.

Trade tension weighed on global equity market sentiment throughout June, with the Trump administration following through on plans to protect and place America first. Firstly imposing tariffs on steel and aluminium, US imported about \$29 billion in steel in 2017 so this is not a big number. The Administration is now talking about imposing a 20% tariffs on imported vehicles in the name of national security. The US imported about \$192 billion in cars in 2017 this is a meaningful number. The car industry makes up nearly a quarter of the country's \$500-billion plus trade deficit with 44% of cars sold in the US being imported last year (Centre for Automotive Research in Ann Arbor-Mich.). Markets do not like uncertainty while the interest groups beat their chests markets will be volatile. Once resolutions are confirmed markets will understand the outcomes and trade on the facts.

The China Shanghai Composite appears to be showing off some of the trade tension, selling off -7.41% for the month. Reinforcing the importance of the US consumer to many foreign economies. The US consumer is the Goose that lays golden eggs, success in the US market brings great rewards.

### Summary of Major share indices

Index	1 Month	52 Weeks	YTD
DJIA	-1.48	+13.69	-1.81%
Nasdaq	-0.61%	+24.68%	+10.07%
S&P 500	-0.59%	+12.17%	+1.18%
Russel 2000	-0.30	+16.09%	+7.00%
Hong Kong Hang Seng	-5.04%	+12.38%	-3.22%
Japan Nikkei 225	-0.94%	+11.34%	-2.02%
China Shanghai Composite	-7.41%	-10.81%	-13.90%
ASX 200 (Australia)	+3.41%	+8.27%	+2.14%

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### Government Bonds

	Close	52 week Range
<b>US 3 Month</b>	1.925%	0.976-1.974%
<b>US 10 Years</b>	2.86%	2.016 – 3.127%
<b>US 30 Years</b>	2.991%	2.634 - 3.266%
<b>Australia 10 years</b>	2.647%	2.31-2.95%

Source: Wall Great Journal.

If you have any questions or concerns please don't hesitate to contact me.

Regards

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