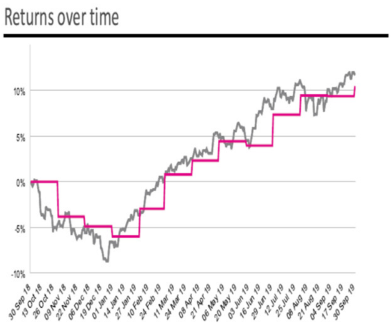
6 ISSUE | 1 VOLUME | 2019 YEAR

Monthly Update

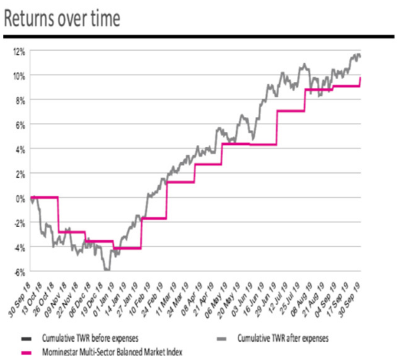
GROW YOUR WEALTH – PRIVATE WEALTH MANAGEMENT AND SEPERATELY MANAGED ACCOUNTS

SMA Performance September 2019

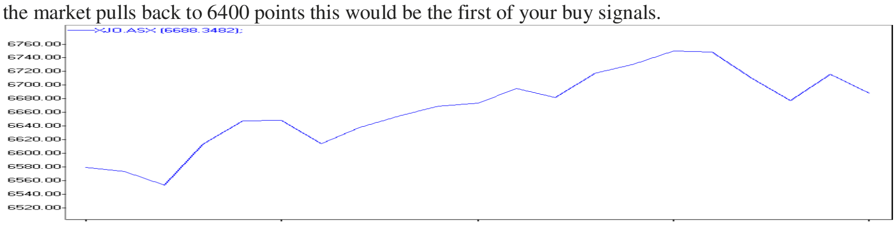
GYW Assertive SMA has outperformed its benchmark over the past 12 months with a return of 11.68%. It outperformed its benchmark by 1.2% for the 12 months period.



GYW Balanced SMA has also outperformed its index over the past year by 1.6% with a year to date return of 11.44%.



The market opened at 6580 points in September closing at 6700, putting on 1.8% for the month. Short term we could see the market get closer to 7000 points. In the mediun term however there are still a number of head winds in markets across the world which will continue to underwrite ongoing volatility in the market. If the market pulls back to 6400 points this would be the first of your buy signals.



Market Head Winds

Trade Wars, Interest Rate Cuts, BREXIT and Emerging Markets!

Brexit is the scheduled withdrawal of the United Kingdom from the European Union following a June 2016 referendum, in which 51.9% of participating voters voted to leave.

Why is this a big deal for our markets? Markets do not like volatility. This occurs when there are unknown factors. BREXIT is an unknown. Markets can be cautious as to what might happen.

When the vote was won to leave the EU, we saw investors look to Bonds for safety during this time. The effect was that markets dropped as funds were moved to safer assets.

It is important to note that these losses have recovered since this time.

At the end of this month the UK is set to leave the EU. Deal or no deal, we expect that we will see an increased volatility in the market as investors come to terms with the changes to trade.

We have already seen a flow into bonds pushing interest rates down, so perhaps investors have already started to hedge positions.

Right now we have a number of issues which affect not just our market but World markets. At this point the market looks to be heading to all new highs but we need to put this in perspective. Our market topped in 2007 at 6850 points, in July 2019 the ASX hit this level again. We continue to see momentum in the market with many tipping the market hitting 7000 points soon, which is an increase of 4%. How high it might go and how long it will stay at these levels is easier to determine after the fact. Although the market is expected to go higher in the short term we have concerns about the longer time frame which could see a pullback; possibly back to 6000 points.

Below are the main issue facing the World Economy which will also affect Australia. We continue to monitor and look for opportunities to invest.

First up is BREXIT. With governments working against the vote of the people and a no deal BREXIT in the wind, it is difficult to understand what this might mean in economic terms for Australia, a major trader with the UK. However, time is limited here and we should, in the next couple of weeks, have a better view of how this might play out.

What is going on with interest rates?

First we have the negative yield curve. Recessions are preceded by negative yield curves but not all negative yield curves are followed by recessions. The main issue here is that medium term bonds are trading lower than short term bonds. This indicates that at least in the medium term investors would rather invest in a Bond which will incur a small loss as opposed to the Market which may incur a larger loss. Deutsche Bank has a lot invested in negative bonds which indicates an issue in Germany.

Across the pond in America we saw the Fed Reserve cut interest rates. How this generally works in basic terms is that the Feds give money to the banks to lend out. This floods the market with money and reduces interest rates. However in the last weeks the Banks chose to hold on to the money for collateral. This may indicate that the banks are concerned about their current level of collateral possibly due to Emerging Markets Collateral Debt exposure. How this will play out and how long it will take no one knows. The best option is to dollar cost average into the market and be a diversified as much as possible to reduce risk.

Australia is also cutting rates to stimulate the economy. This will be a plus for property investments as costs will be reduced.

Grow Your Wealth
Financial Services Townsville

51 Thuringowa Drive
Kirwan QLD 4817