

	Price	5 Day % Change	3 Month % Change	1yr % Change
S&P/ASX300	64,365	0.55%	12.78%	8.33%
MSCI World Ex-Aus. (Unhedged)	9,462	-1.37%	7.71%	8.30%
MSCI World Ex-Aus. (Hedged)	1,657	-1.83%	4.68%	-0.38%
Bloomberg AusBond 0+ Composite	9,737	0.63%	2.79%	6.49%
BloombergBarclays Global Agg. (Hedged)	1,003	0.67%	2.33%	4.22%
S&P/ASX300 Property	54,190	1.53%	10.19%	21.48%
FTSE/Epra NAREIT (Hedged)	2,710	0.45%	4.43%	12.84%
S&P Global Infrastructure (Hedged)	5,067	0.24%	8.35%	9.08%
BarclayHedge Global Hedge Fund Index (USD)	5,605	N/A	0.57%	-3.59%
AUDUSD	0.7045	-0.48%	-2.02%	-9.55%
AUDEUR	0.6271	0.69%	-0.96%	-0.86%
AUDNZD	1.0353	-0.56%	-1.07%	-3.58%
AUDGBP	0.5415	0.98%	-5.70%	-4.13%
AUDJPY	78.3260	-1.15%	-4.03%	-5.63%

Source: Bloomberg, S&P Dow Jones, MSCI, FTSE/EPRA, Barclays, 9th March 2019

Friday's drop in Chinese exports and low US job creation grabbed the headlines over the weekend. We believe that these specific concerns may be overdone, although global growth is definitely slowing.

This context creates a difficult outlook for Australia. GDP growth significantly undershot expectations for a second straight quarter. The RBA is sticking to the narrative that monetary policy is stimulatory and appropriate. NAB subsequently joined the other economics teams calling for two rate cuts this year.

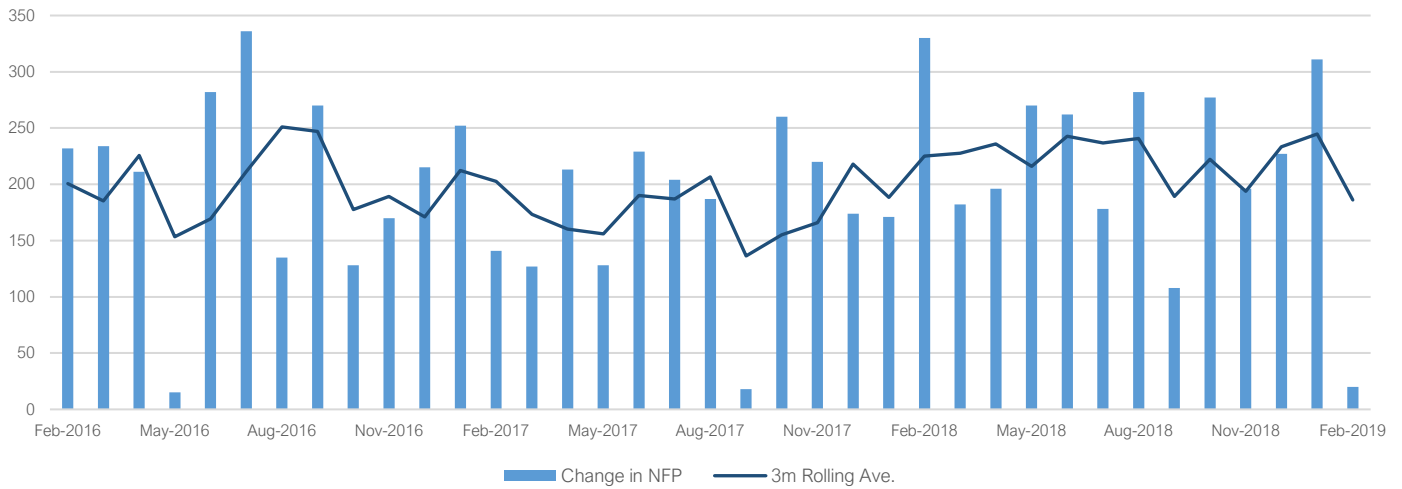
Like Australia, Europe has strong ties to the Chinese economy. After downgrading growth and inflation forecasts, the ECB extended stimulus to the banking sector on Thursday in a third round of TLTROs.

Attention is likely to stay on Europe this week. In particular, on the Brexit votes in the UK that take place over consecutive days beginning on Tuesday.

It was "Non-Farm-Payrolls-Friday" last week, the most closely-followed data release in the monthly calendar. The terrible figure of 20k new jobs in February certainly gave the journalists something to write about. But we are not too concerned by the low print. The 90% confidence interval is as wide as +/- 115k, so it's difficult to draw too much from a single month's reading. May 2016 and September 2017 also saw very low numbers in years that otherwise averaged over 100k jobs per month. In this case, the low number follows a very high January result of 311k, and the three-month rolling average remains above 150k.

It was an otherwise strong report. The unemployment rate fell from 3.9% to 3.8% with no change in the participation rate, and the broader U6 underemployment rate also fell sharply from 8.1% to 7.3%.

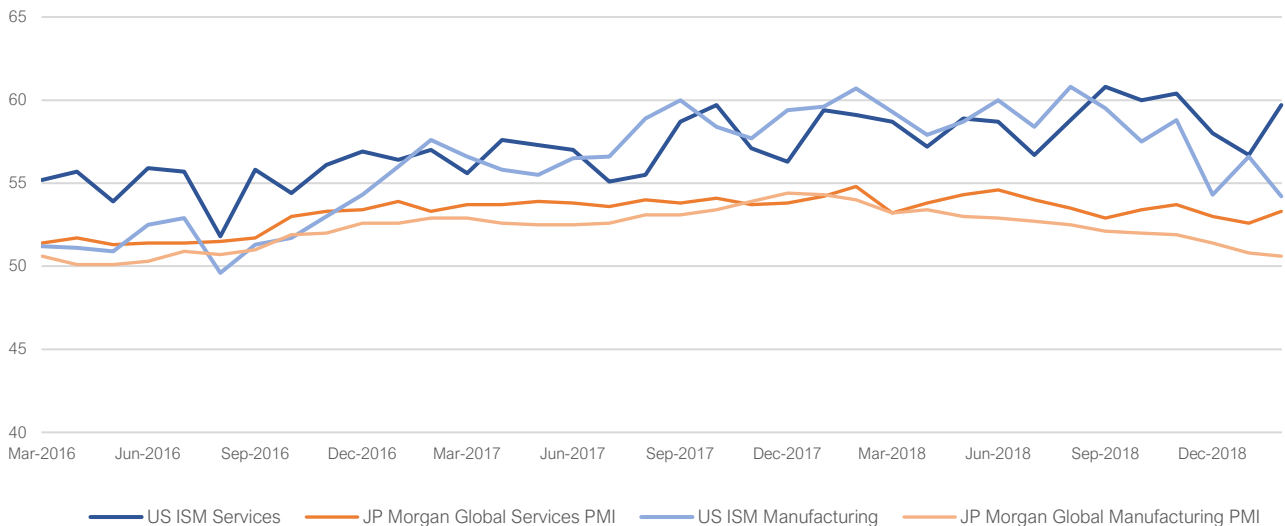
Monthly Change in US Non-Farm Payrolls



Source: Bloomberg, BLS, 9th March 2019

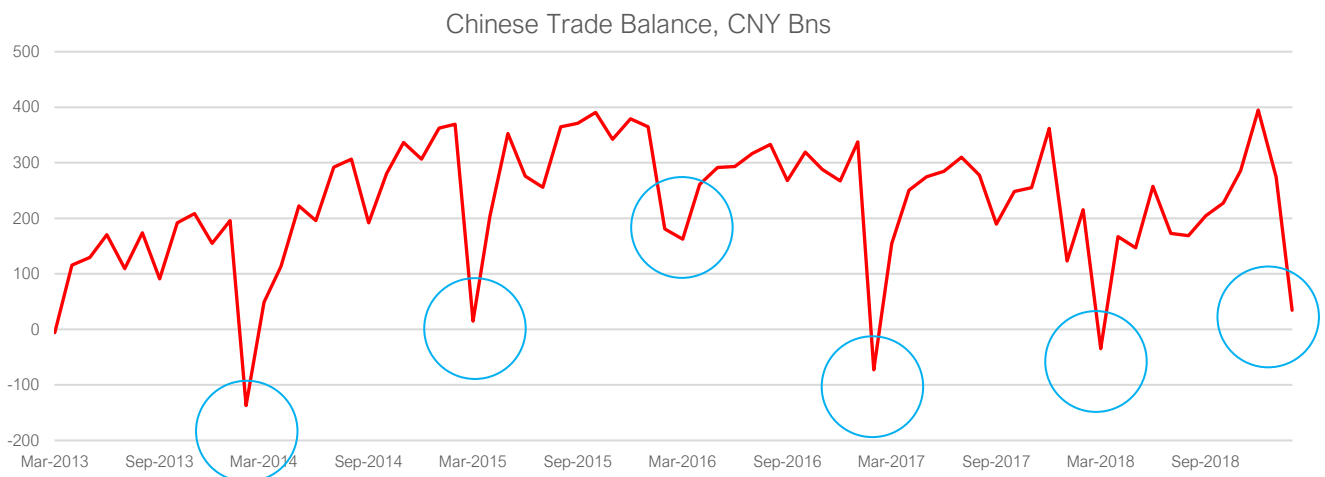
We know that US manufacturing has slowed. But this week saw the ISM services survey rise, to the extent that this is lifting the JP Morgan Global Services PMI. Home sales and housing starts also improved. This would seem to suggest that momentum in the US economy might be stronger than is generally believed. It's too early to say. It could simply be that services are not slowing as rapidly. Similarly, we expect the Federal Reserve to be patient in making a judgement.

US & Global Services Surveys, Compared to Manufacturing



Source: Bloomberg, ISM, JP Morgan, 10th March 2019

China announced a slightly lower growth target this year of 6%-6.5%, down from 6.5% last year. The slowdown that China is experiencing is both structural and cyclical, according to Capital Economics. Friday saw a very disappointing exports figure released. But customs data has not been the most reliable series - even by Chinese standards. The trade balance saw unusually low figures in at least one of February and March in each of the last five years. So again, we would caution against reading too much into the numbers, despite the inevitable headlines.

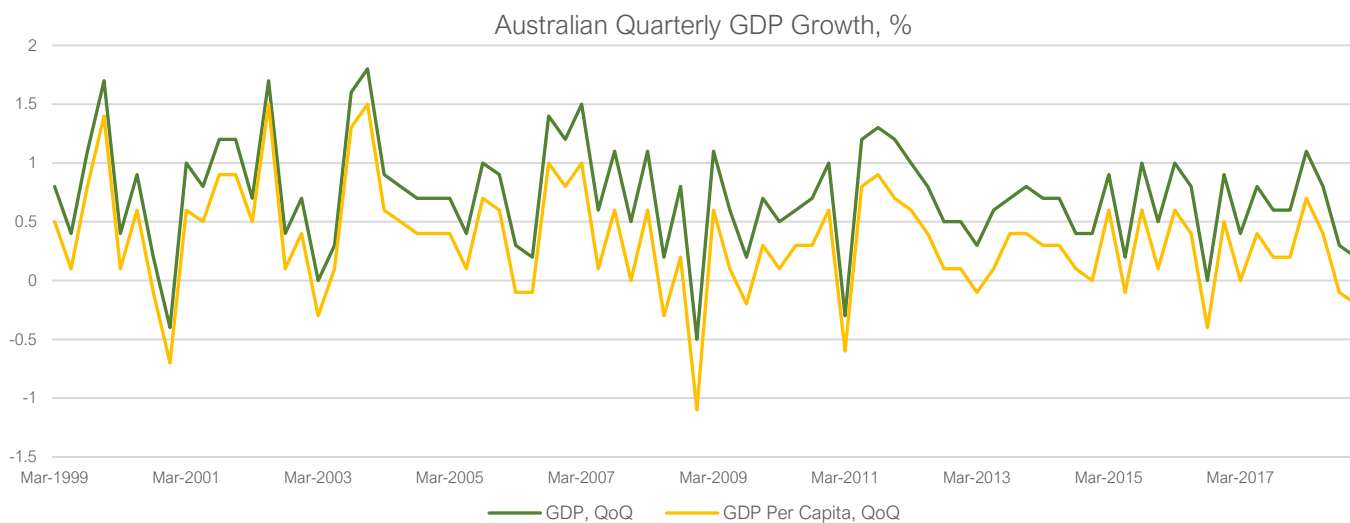


Source: Bloomberg, Customs General Admin. PRC, 10th March 2019

So far, there is no discernible impact on Australian exports. Trade figures this week were very strong, albeit with a significant uplift from seasonal adjustments. The bigger issue for Australia at the moment is the reliance on capital inflows to fund the current account deficit. Essentially, foreign investment funds mortgages in Australia. If global financial conditions tighten further, it places additional pressure on the housing market. In the short-term, Australia is receiving some respite from global central banks. But credit growth remains very low.

On Wednesday the GDP numbers for the fourth quarter of 2018 showed only 0.2% growth, after the very disappointing 0.3% in the third quarter. Year-on-year growth dropped to 2.3% from downwardly-revised 2.7%. The GDP-per-capita series recorded a second straight quarter of negative growth – leading to cries of a “per-capita recession”. Per-capita GDP is usually below headline GDP – hardly surprising given the growing population. But it does represent average living standards. So, the fall in the average shouldn’t be dismissed. This figure was followed on Friday by weak monthly retail sales growth of only 0.1%.

Despite the disappointing figures, the RBA is sticking to its narrative of gradually improving employment eventually boosting consumption. The Board sees falling house prices generating very little in terms of negative wealth effects. Building approvals and job advertisements suggest the Reserve Bank will be disappointed in the months ahead. NAB responded at the end of the week by joining the crowd calling for two rate cuts by the end of the year. The market-implied probability of at least one cut in the cash rate by the end of 2019 is now 78%¹.



Source: Bloomberg, ABS, 9th March 2019

The OECD cut its global growth forecasts for this year last week. It was followed by the ECB cutting its own growth and inflation forecasts on Thursday and then extending support to the European banking sector by another two years through a third round of Targeted Long-Term Refinancing Operations (TLTROs). The timing of interest rate rises was pushed out further into the future.

This week, attention is likely to be focused on the UK and the spectacular showdown that Theresa May has engineered.

On Tuesday, the House of Commons will vote again on the deal that government negotiated with the EU. If that fails, they will vote the following day on whether to leave the EU without a deal. If that is rejected, as everyone seems to want, they will vote on Thursday to decide whether to ask the EU for an extension, which the EU seems willing to accept.

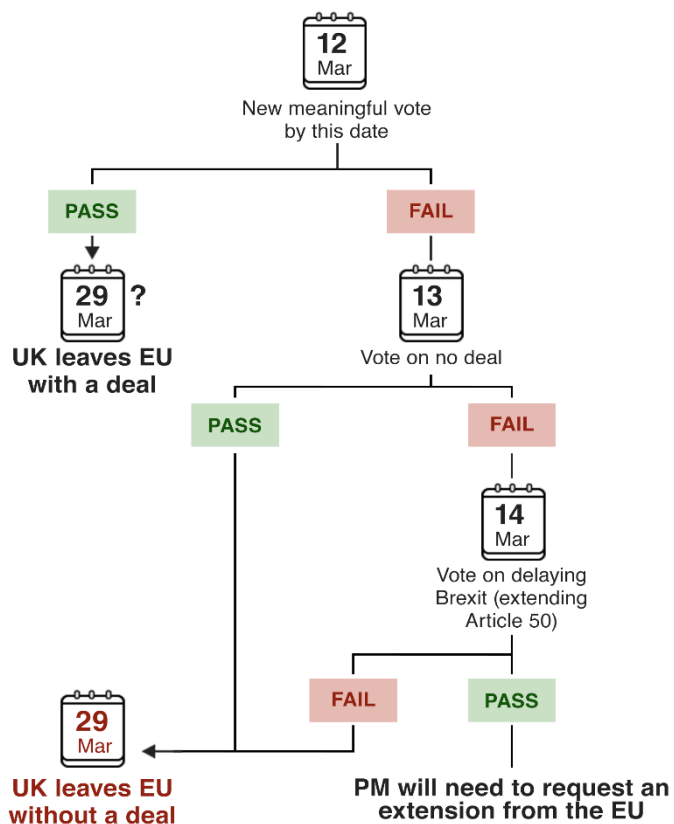
Tuesday's vote is by far the most important. In a desperate appeal to Brexiteers on Saturday, Theresa May once again reminded them that rejecting the deal would open the door to no Brexit, most likely via a second referendum.

Oddschecker is not showing odds on whether the deal will pass on Tuesday. It appears that it will be a close-run thing. It is even likely that minor alterations continue right up to the last minute.

The overall betting odds are however suggesting that the most likely scenario is that the UK leaves the EU at some point after the end of March, but before the end of the year. This, therefore, implies that the current deal will not pass on Tuesday. The eventual deal is likely to be a slightly softer Brexit, and the pound has risen over the last few weeks as the chances of this outcome have increased.

¹ Bloomberg, 10th March 2019

Mrs May's revised Brexit timetable

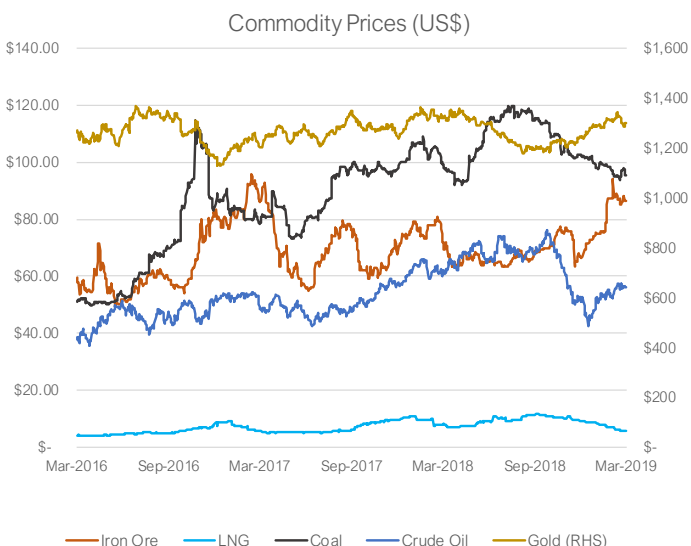
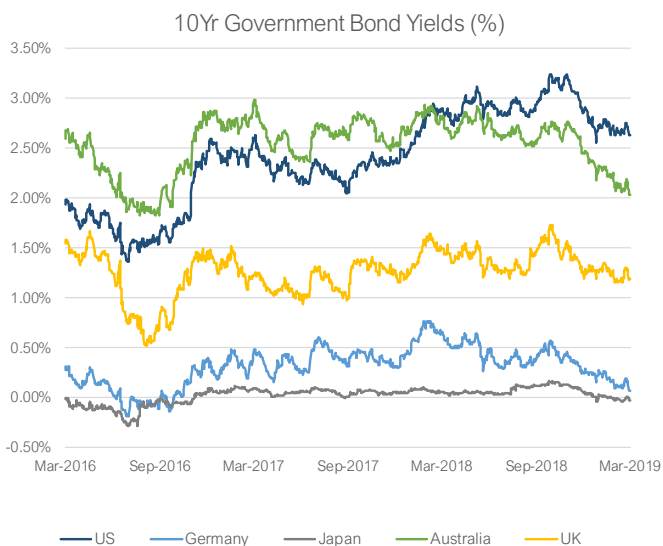
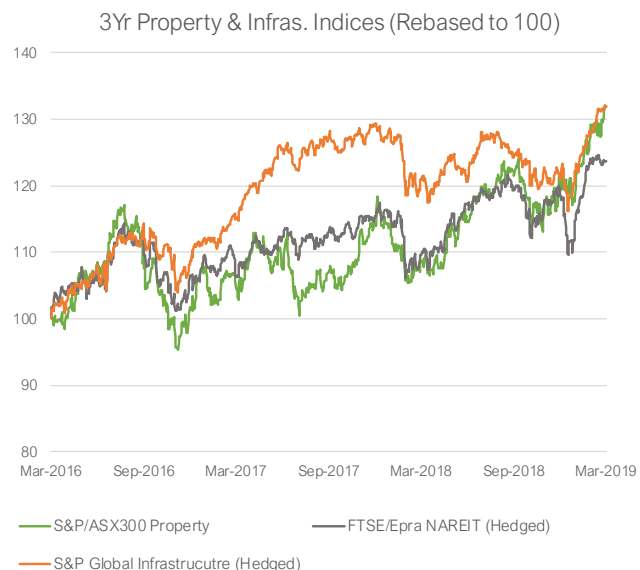
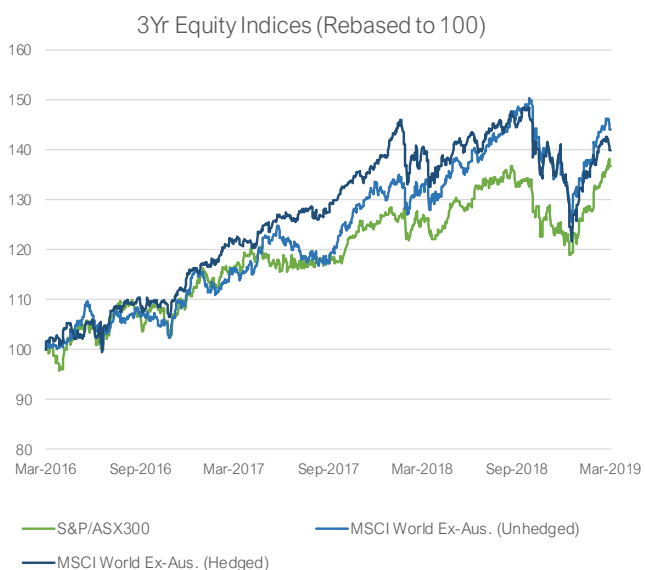


BBC

Source: BBC

Significant Upcoming Data:

	Monday	Tuesday	Wednesday	Thursday	Friday
Australia		NAB Business Cond. & Conf.; Home Loans	Westpac Consumer Confidence		
US	Retail Sales	CPI; NFIB Small Business Optimism;	Durable Goods Orders; PPI	Construction Spending; New Home Sales	Ind.Prod.; Empire Manufacturing; JOLTS; Capacity Utilisation; UMich Sentiment
Europe	German Ind. Prod; Spanish Retail Sales; Danish & Norwegian CPI	Brexit vote 1: Accept Deal UK Ind. Prod. & Trade Balance; Swiss CPI	Brexit vote 2: Avoid No Deal Eurozone Ind.Prod.; Spanish CPI	Brexit vote 3: Extend Deadline German, French & Irish CPI; Swedish Unemployment; Irish GDP	Eurozone CPI; Italian Industrial Sales;
Japan	M2, M3; Machine Tool Orders	PPI; Core Machine Orders; Tertiary Ind.Index			BoJ Meeting
China				Fixed Asset Inv.; Ind.Prod.; Retail Sales; Jobless Rate; Property Investment	New Home Prices



Source: Bloomberg, S&P Dow Jones, MSCI, FTSE/EPRA, 9th March 2019

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