	Price	5 Day % Change	3 Month % Change	1yr % Change
S&P/ASX300	71,243	1.37%	7.72%	12.56%
MSCI World Ex-Aus. (Unhedged)	10,504	3.02%	4.40%	12.32%
MSCI World Ex-Aus. (Hedged)	1,806	1.36%	2.03%	5.25%
Bloomberg AusBond 0+ Composite	10,244	0.67%	3.45%	10.32%
BloombergBarclays Global Agg. (Hedged)	1,047	0.16%	3.21%	7.72%
S&P/ASX300 Property	59,721	-0.01%	8.65%	22.37%
FTSE/Epra NAREIT (Hedged)	2,830	0.25%	2.22%	9.37%
S&P Global Infrastructure (Hedged)	5,414	-0.85%	3.42%	10.25%
BarclayHedge Global Hedge Fund Index (USD)	5,670	N/A	0.09%	-1.43%
AUDUSD	0.6911	-1.86%	-1.86%	-6.32%
AUDEUR	0.6211	-1.03%	-1.63%	-2.01%
AUDNZD	1.0414	0.01%	-1.48%	-4.41%
AUDGBP	0.5581	-0.92%	2.36%	-0.83%
AUDJPY	75.1170	-0.97%	-4.66%	-9.23%

Source: Bloomberg, S&P Dow Jones, MSCI, FTSE/EPRA, Barclays, 27th July 2019

Equity markets have climbed higher as earnings are exceeding expectations and global central banks have adopted an easing bias. However, the market continues to ignore the fact that the outlook for earnings and interest rates is not as strong in Australia as it is in international markets.

The deal struck between the US Administration and the House last week removes the threat of another budget standoff in September. With the new hard-line British government taking shape last week, Brexit continues to threaten future volatility, as does US trade policy, and Iran.

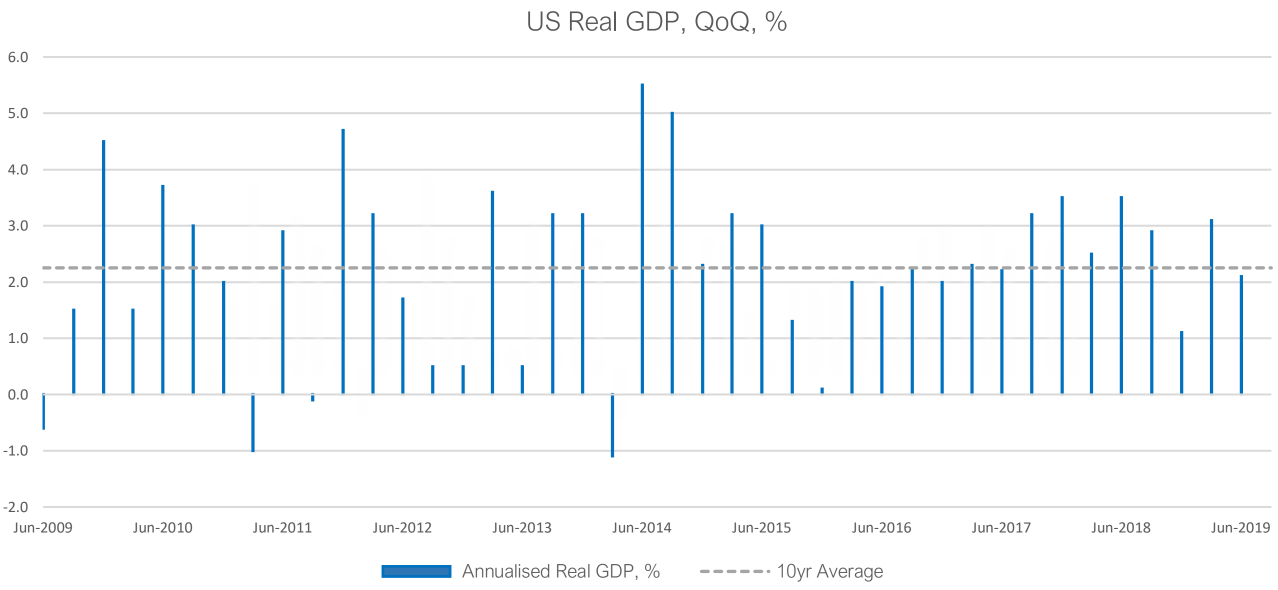
This week sees central bank meetings in the US, the UK and Japan, with only the Fed expected to announce a change.

There will also be a substantial amount of important data published, including Australian CPI, house prices and retail sales. The Chinese PMIs, US inflation, and the US labour report will also feature.

Equity markets continued to move higher last week, with the S&P/ASX200 (excluding dividends) finally regaining and surpassing the highs of 2007. Interest sensitive sectors were a little softer as the downward trend in bond yields lost momentum, and both iron ore and the Australian dollar traded a little weaker.

US GDP declined by less than expected in the second quarter to 2.1% (annualised). The first quarter's reading of 3.1% was held up by inventory investment. This proved to be transitory and weighed on the second-quarter figure, as did net exports. Consumer and government spending were the main positive drivers.

PMI surveys generally indicated a slightly softer July. The Eurozone aggregate composite declined to 51.5, indicating mild expansion. Similarly, the CBA Australia composite declined from 52.5 to 51.8. The Japanese Jibun composite moved higher from 50.8 to 51.2, a small increase, but in line with the recent trend of Japanese data tending to surprise to the



Source: Bloomberg, BEA, 28th June 2019

upside. The US Composite PMI was more or less unchanged at 51.6, with the ISM survey and Chinese PMIs to follow next week.

The US earnings season has been very positive, despite Amazon's miss making the headlines. Nearly half of the S&P500 has reported and, so far, 78% have beaten earnings estimates with aggregate EPS results a little over 5% ahead of estimates. Growth is a touch weaker at 4.2%, but positive and expected to rise. Globally earnings are expected to grow by roughly 10% in each of the next three years.

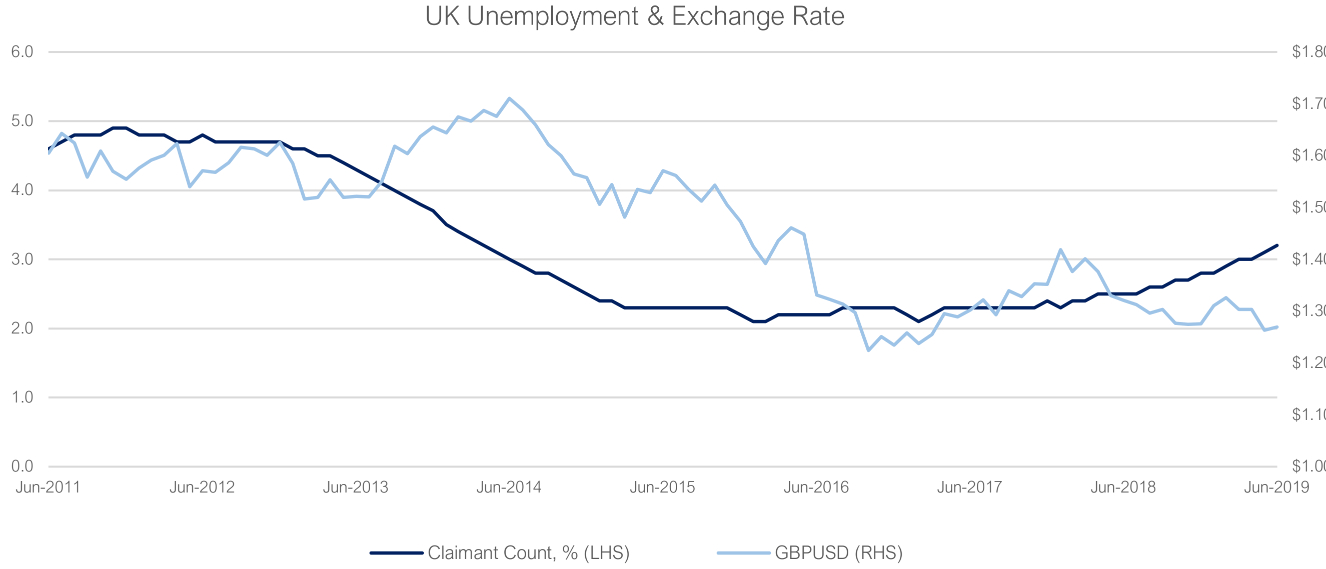
The Australian earnings season also picks up steam this week. The market is looking for a similar level of roughly 4.2% EPS growth in FY19, but a much better FY20 of +8.7% - a figure that looks very optimistic on current data – before declining to roughly 3% in each of the next two years. With Australia trading on higher multiples, international shares appear to offer much better value, which is why we continue to advocate a neutral position in international shares while holding Australian equities underweight.

Interest rates seem to pose little threat to share prices. Last week the ECB signalled more easing ahead. The Fed is expected to cut by a quarter-point this week, while the Banks of England and Japan stay on hold. Governor Lowe delivered a speech indicating that the Australian cash rate was expected to stay very low for "some time". Assistant Governor, Chris Kent also indicated that the Reserve Bank would be willing to cut again if necessary, but that quantitative easing was a "very remote" possibility and not likely at all.

The one major risk with Australian interest rates stems from the apparent lack of concern over housing. The Board has said on more than one occasion that they see limited risks of cash-rate-easing fuelling consumer debt and house prices. Not for the first time this year, it seems that the RBA is looking at different data. The housing market is showing signs of firming much faster than other economic activity. As Coolabah Capital's Chris Joye wrote in the AFR this week, the RBA recently produced a paper showing that the build-up in house prices in recent years was almost entirely due to monetary easing. Why would this time be different, particularly as APRA is lowering the mortgage assessment rate?

For most of this year, there have been three major risks shadowing investment markets; US trade policy, Brexit and the US debt ceiling. Last week it was announced that the US administration had reached an agreement with Democrats to avoid the government running out of funding in September. That third risk has now been replaced by the risk of potential energy price spikes due to a conflict with Iran.

Last week we also learned a little more on how Brexit may pan out. Boris Johnson took office as UK Prime Minister and immediately enlisted a very pro-Brexit Cabinet. Michael Gove, who campaigned for Leave alongside Boris Johnson before



Source: Bloomberg, ONS, 28th June 2019

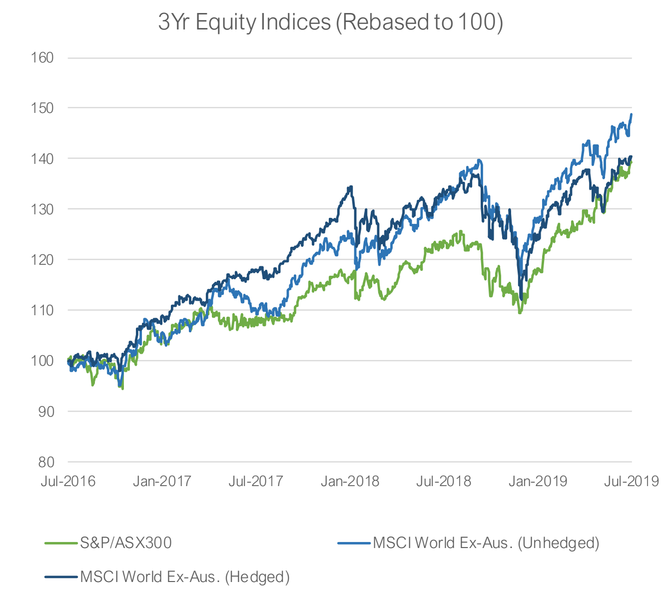
undermining his colleague's previous leadership bid in an act of apparent treachery, was given the difficult task of preparing for a no-deal Brexit. The head of the Leave campaign, political strategist Dominic Cummings, was also hired. On the surface , it appears that Boris wants to be seen to be prepared to leave the EU without a deal, most likely in order to generate some leverage to force the EU back to the negotiating table. The EU has, so far, expressly dismissed the possibility. If not, it is very likely that the Conservatives will call some form of election in the next few months and that Boris is already planning to get on the front foot. It is highly likely that each of these scenarios would lead to a period of higher market volatility. The eventual result is far from assured as the economic costs of Brexit are already rising. The Pound has generally traded weaker since the referendum while unemployment, as measured by the claimant count, is now accelerating.

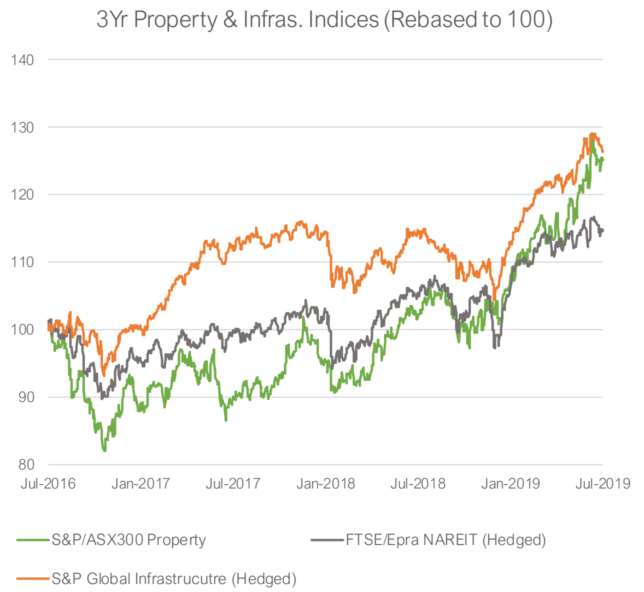
This week, in addition to the central bank meetings and earnings, the heavy calendar of data will continue, ending with the US labour report on Friday. Australia will see house prices, inflation and retail sales.

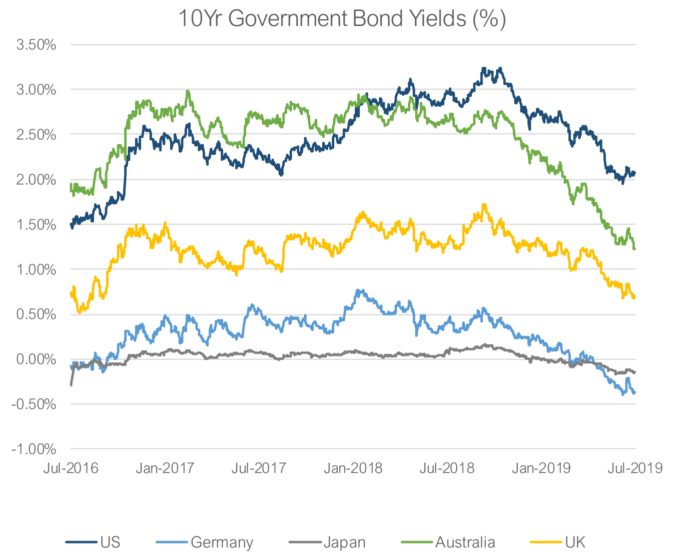
Significant Upcoming Data:

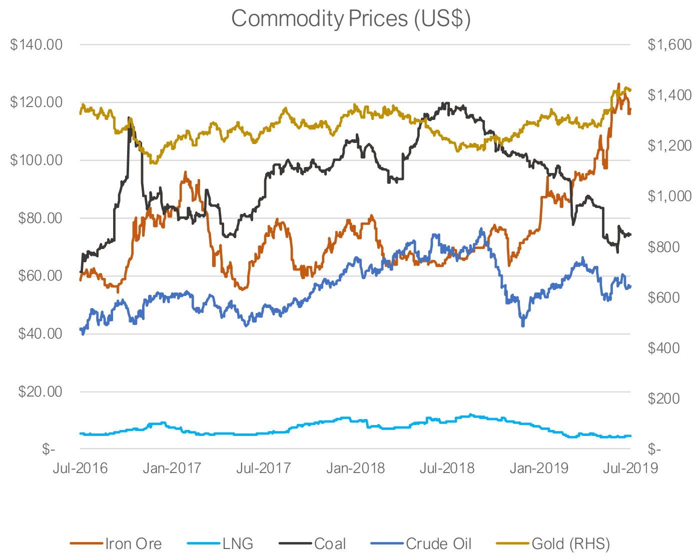
	Monday	Tuesday	Wednesday	Thursday	Friday
Australia		Building Approvals	CPI; Private Sector Credit	CoreLogic House Prices; Commodity Price Index;	Retail Sales; PPI
US	Dallas Fed Manuf. Activity Index	PCE Inflation; Conf.Board Cons.Conf.; Personal Income & Spending; S&P CoreLogic House Prices; Pending Home Sales	FOMC Rate Decision; ADP Employment; Employment Cost Index; MBA Mortgage Applications; MNI Chicago PMI	Challenger Job Cuts; Weekly Jobless Claims	Labour Report (including Non-Farm Payrolls); ISM Manuf. Survey
Europe	Spanish CPI & Retail Sales; UK Mortgage Approvals	French, Swedish, Belgian & Austrian Q2 GDP; German & Belgian CPI	Eurozone, Italian & Spanish Q2 GDP; Eurozone, Italian & French CPI; UK House Prices	Bank of England Meeting; UK, Dutch, Spanish, Italian, Danish, Irish & Greek PMIs	Italian Ind.Prod.; Spanish & Norwegian Unemployment; Swiss CPI
Japan	Retail Sales	Bank of Japan Meeting; Ind.Prod.; Jobless Rate	Housing Starts	Vehicle Sales	Monetary Base
China			Official PMIs	Caixin PMI	

Birling™









Source: Bloomberg, S&P Dow Jones, MSCI, FTSE/EPRA, 27th July 2019

General Advice Disclaimer

The information contained in this document has been prepared for providing general information only and does not take into account any particular investor's objectives, financial situation or needs. Birling Pty Ltd trading as Birling Wealth Management (ABN 52 618 678 096 | AFSL 504220) make no representations or warranties as to the accuracy or completeness of any statement in this document including, without limitation, any forecasts. Past performance is often not a reliable indicator of future performance. You should not rely solely on past performance to make investment decisions. Before making any investment decisions, consider the appropriateness of the information and seek professional advice, having regard to your investment objectives, financial situation, and needs.

Birling Pty Ltd (AFSL 504220) is authorized to provide financial services to wholesale and retail client (within the meaning of the Corporations Act 2001 (Cth)).