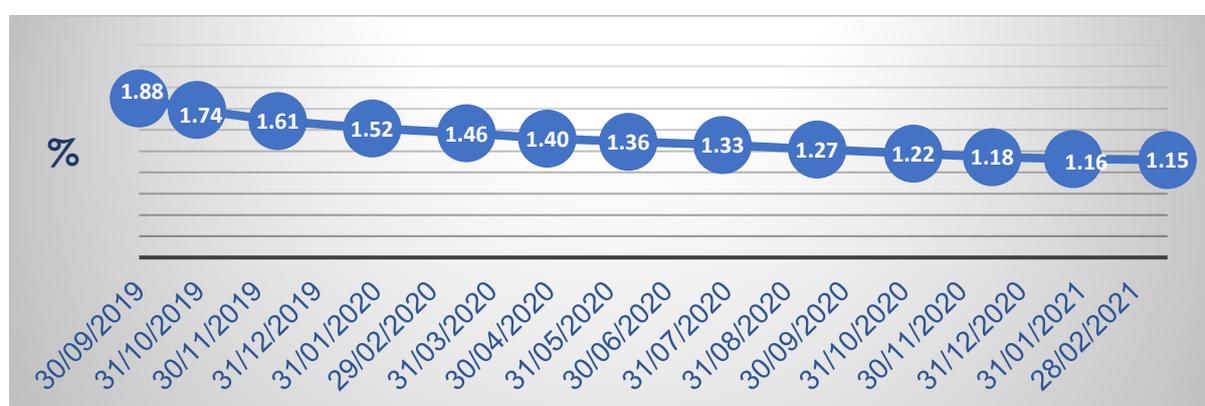


Financial Market Conditions

Global financial markets experienced some volatility over the past months as the unresolved US - China intellectual property and trade dispute continued to affect global trade and lower economic growth forecasts.

In early September, US President Trump and Chinese President Xi agreed to bilateral trade talks that are scheduled to resume in mid-October in Washington. Markets were initially buoyed by this news with bond yields and equity indices moving higher around the globe. On the 17th of September, the US Federal Reserve cut their official reserve rate by 0.25% and is now targeting a range of between 1.75-2.00%. In their accompanying statement, the Federal Reserve Governor Jerome Powell, stated that the cut was aimed at shoring up the US economy, amid uncertainties about future growth. Many market observers noted that the Federal Reserve are currently not forecasting any further rate cuts in 2019 or 2020, which is contrary to current interest rate future market predicting at least another 0.5% worth of cuts over the next year.

Implied US Federal Reserve rate at 30/09/2019:



In Europe, the UK's exit from the European Union is currently scheduled for a hard no deal exit on the 31st of October. In mid-September, the UK Prime Minister Johnson attempted to close down the UK's parliament till after the 31st of October deadline, in an effort to force the hard exit but this action was deemed unlawful by the UK's high court.

Australian Financial Markets also experienced volatility over the past month. In early September the ABS data showed that the Australian economy grew by 0.5% in the June quarter taking the year on year growth to 1.4%, its lowest level since the GFC. Later in the month the Australian unemployment rate rose by 0.1% to 5.3% despite 15,000 new jobs were added to the economy. The Australian dollar experienced downward pressure over the past month and is currently trading at 0.67 USD, its lowest level since December 2008.

On the 1st of October, the RBA cut the official cash rate by 0.25% taking the cash rate to a new historic low of 0.75%. In the accompanying statement, RBA Governor Lowe stated that reserve bank board cut the official cash rate due to a slowing global economy resulting from the US-China trade and technology dispute, low domestic growth data, rising Australian unemployment and due to inflation tracking well below their target range of between 2-3% over the medium term. The RBA also stated that an extended period of low interest rates will be required in Australia to reach full employment and achieve the inflation target. Current futures market pricing that another 0.25% fully factored in by April 2020.

Implied RBA Cash rate as at 30/09/2019:

