

Newsletter October 2018

Welcome to the October Edition of the Axis Financial Advisers Newsletter.

Some of the main events of the last three months will be covered below, however it would also be remiss of me not to mention the recent volatility that shook markets over the last couple of weeks. Global share markets have fallen around 5% since the start of October.

A combination of US interest rate expectations rising faster than expected and continued worries over the US – China trade spat are the primary factors and this would be good if it were the case as we could reasonably expect a recovery in markets over the next few months.

A bigger problem for share markets would be if the rally seen since early 2016 (particularly in US stocks) reached a point of exhaustion, which could suggest a longer and deeper selloff.

As always, it is important to accept that the volatility inherent in equities is the price of admission and that long term, equities will continue to provide excellent returns.

Once again thank you to everyone who referred a friend, family member or colleague to my practice. Your continued support is always appreciated.

Economic News

Australia

The Australian economy has continued to perform quite well. GDP growth remains above 3%, the unemployment rate has now touched 5% and our primary export commodities (Iron Ore and Coal) have displayed strong prices which have provided an undeniable boost to the government coffers.

Of course, the main news in Australia over the last quarter was *another* change in Prime Minister. From a financial perspective, a lot is at stake in the next election with many of the policy changes proposed by Labor having a potentially significant impact on investment markets (particularly residential property).

Recent consumer confidence figures suggest that the political uncertainty and falling house prices is denting confidence in the economy.

China

The tariff's imposed by the United States have had an undeniable impact on China. Chinese authorities have introduced some additional stimulus to stabilise the economy. The GDP growth expectations are becoming more and more difficult to achieve as the Chinese economy matures and you would expect growth estimates to be continually lowered going forward.

United States

The US economy continues to perform well. Unemployment is under 4%, corporate earnings are extremely strong (boosted through tax cuts) and consumer sentiment remains strong. Mid-term elections may result in a power shift leading to a more difficult environment for Trump in the second half of his first presidential term.

Markets

Rising government bond yields caused global stocks to decline sharply in recent days as investors grapple with concerns over tighter U.S. monetary policy, a brewing trade war and slowing economic growth in China.

The selloff has been led by declines in the shares of US technology companies, including many of the names that consistently drove equity markets to new highs during a nearly decade-long US bull market.

Indeed, investors should expect more volatility ahead as we approach several potentially market-moving events, including: the U.S. mid-term elections, further Fed tightening and the withdrawal of crisis-era stimulus measures by the European Central Bank.

The following table highlights returns from key asset classes to 30 September 2018*:

Asset Class	3 Months (%)	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)
Cash	0.52%	1.87%	1.94%	2.19%
Australian Fixed Interest	0.54%	3.72%	2.85%	4.28%
International Fixed Interest	-0.44%	1.31%	3.01%	4.71%
Australian Listed Property	1.98%	13.25%	10.30%	12.59%
Australian Shares	1.50%	14.03%	12.16%	8.19%
International Shares (50% hedged and 50% unhedged)	6.48%	16.86%	13.58%	13.92%

**The above returns were compiled from various sources. More information on the source of the data or compilation can be obtained by contacting Axis Financial Advisers. Past returns should not be relied upon to make investment decisions. The above table does not in any way constitute financial advice and should not be interpreted as such.*

Legislative Update

Centrelink Thresholds

On September 20, the Deeming rates for Centrelink benefits were changed as follows:

Status	Deeming Threshold	Rate above threshold	Rate below threshold
Single	\$51,200	1.75%	3.25%
Couple	\$85,000		

The current thresholds for the Commonwealth Seniors Health Care Card as follows:

Marital Status	Adjusted Taxable Income Limit	Energy Supplement
Single	\$54,929	\$366.60
Couple	\$87,884	\$275.60 per person
Illness Separated	\$109,858	\$366.60 per person

The assets test thresholds are as follows:

	Homeowner		Non-Homeowner	
	Full Pension	Pension Cut-Out	Full Pension	Pension Cut-Out
Single	\$258,500	\$564,000	\$465,500	\$771,000
Couple	\$387,500	\$848,000	\$594,500	\$1,055,000
Reduction Rate	Pension reduced by \$3 p.f per \$1,000 of assets over full pension thresholds			
Indexation	<ul style="list-style-type: none"> • Full pension thresholds indexed each 1 July in line with CPI • Cut out thresholds applicable 20 September 2018 to 31 December 2018. Adjusted 20 March, 1 July and 20 September 			

The income test thresholds are as follows:

	Full Pension	Pension Cut Out
Single	\$4,472	\$52,119.60
Couple	\$7,904	\$79,736.80
Reduction Rate	Pension is reduced by \$0.50 (singles) and \$0.25 (each member of a couple) per \$1.00 of income over full pension thresholds	

If you have any questions about this report or any other matter, please *don't hesitate to contact me*.

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