

Weekly Portfolio Activity Summary 02 Aug 2019

Expectations were not high to begin with about progress being made between the Chinese and American teams with respect to their trade negotiations. Financial markets did however seem to mostly accept this lack of progress with a relatively muted reaction, that is until President Donald Trump took to Twitter again. The tweet announcing 10% tariffs on an additional US\$300 billion dollars of Chinese exports to the United States shows that tensions are again escalating. Equity markets have sold off on the news, albeit in many cases from recent all-time highs, and bond yields have been pushed lower still.

In Australia, we have seen some more positive news in the data releases this week. The CPI inflation data showed a pick up from 1.3% to 1.6% in the June quarter, though it remains to be seen if this will be sustained. House prices nationally recorded a positive reading in July, the first monthly increase for nearly two years and further evidence that the correction has perhaps largely run its course. Finally, there was a positive surprise in the retail sales data which showed a monthly gain of 0.4%. Taken together this seems to provide a strong case for the Reserve Bank to pause on further rate cuts, as the two recent reductions continue to flow through to households and business.

FIXED VS FLOATING BONDS

We provide a further update here to the changes being implemented in your portfolio and as described in recent commentaries. The interest rate being paid on Australian Government 10 Year Bonds has fallen further, as concerns about global growth and the ongoing disruption to trade continues. When we first started considering the realignment of your portfolio from fixed rate bonds to their floating rate equivalents, the 10-year government bond yield was approximately 1.3% to 1.4%. At time of writing this afternoon that number now sits at 1.08%. Should we see these levels sustained into the first days of next week, we expect to complete a further tranche of swapping from fixed rate to floating. If you have not yet had the chance to do so, we encourage you to read the most recent commentaries for a fuller explanation of these important changes to your portfolio.

PORTFOLIO ACTIVITY

- As per our usual start of month process, we made purchases of the High Interest Cash ETF (AAA) for newer accounts being brought to their individual targets. We also made purchases to the new targets for more mature portfolios.
- Earlier in the week as markets reached an all-time high on the ASX we executed the recent model changes to Australian Equities that were previously communicated. We sold the ASX50 ETF (SFY), Financials ETF (OZF), Midcap ETF (MVE) and Small Cap ETF (MVS).
- For implementing accounts, we took advantage of the market pull back today as a result of the tweets mentioned above. We made purchases in the ASX50 ETF (SFY), Financials ETF (OZF), Midcap ETF (MVE) and Small Cap ETF (MVS).

NOTE: It is important to note that each portfolio is managed to its own mandate, which can mean that activity mentioned above is not reflected in your own portfolio. This may be because it is more beneficial to your portfolios after tax performance to complete the trading at a different time, or may be due to individual customisation that you have requested. This flexibility is an integral part of the investment process. If you would like to discuss the tailoring of your portfolio please contact your Adviser.

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