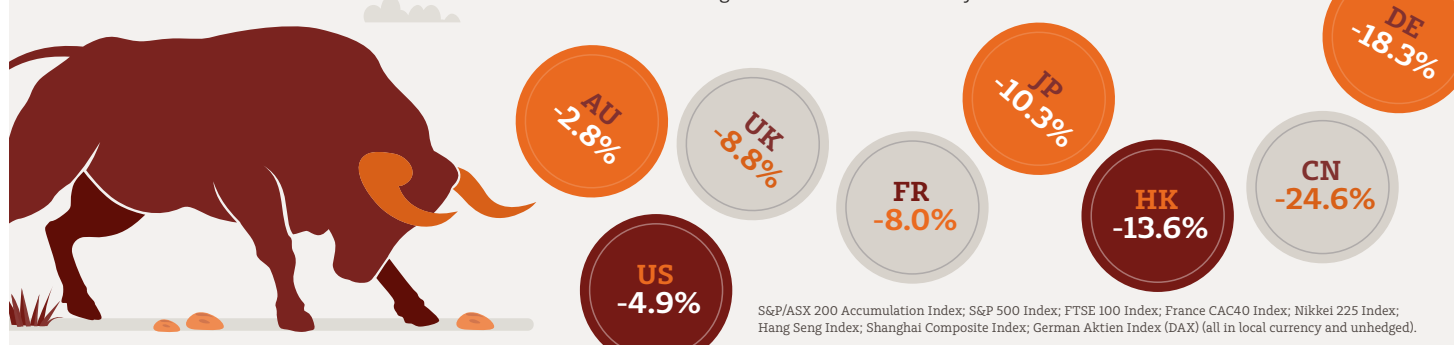


2018 year in review

A confident start but a volatile finish

A disappointing year for global shares

Share markets began the year positively. However, in the December quarter market volatility pushed many markets into negative returns for the year. Australia's market lost ground but outdid most major markets.



Trade tensions worsened



The US and China engaged in an **escalating trade war**, imposing tit-for-tat tariffs on each other's imports.



At the G20 summit, President Trump and President Jingping agreed to a **90-day ceasefire** from 1 January 2019.

Global growth moderated over the year



Economic growth in China cooled

- Economic indicators suggest **growth in China softened** over the year.



Growth in European economies slowed

- Germany's economy contracted by **0.2%** in the third quarter, the first negative quarter in over three years.
- Italy remained burdened by **excessive debt**, high unemployment and a weak banking system.
- The uncertainty and political instability over Brexit took its toll on UK financial markets. The depreciation of the pound led to **inflation rising** above its 2% target.



The US economy had another year of strong growth

- Unemployment rate fell to **3.7%** – a near 50-year low.
- Average hourly wages grew **3.1%**, the largest gain in nearly 10 years.
- The Fed increased the target federal funds rate by **0.25%** four times.

Another mixed report card for Australia's economy¹

Wages growth
2.3%²

The highest in three years.

Unemployment
5.1%³

The lowest in six years.

Underemployment
8.5%³

Workers who want more hours. Remains high.

Australian dollar
-10%
against the US dollar, benefiting Australian exports.

Inflation
1.9%²

Cash rate
1.5%

House prices
6%



Australian shares

Performance varied widely across industry sectors.



Healthcare
+19.3% ↑



Info technology
+7.3% ↑



Telecommunications
-17.9% ↓



Financials (ex-REITs)
-9.7% ↓

Performance for the year ending 31 December 2018. Sector returns are for the S&P/ASX 200 Accumulation GICS indices.

¹ Figures as at 31 December 2018 unless otherwise stated. ² Annual rate for the September quarter. ³ As at 31 November 2018.

Important Information

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