

# Super Easy Australian Fixed Interest

Quarterly Investment Option Update

30 September 2018

## Aim and Strategy

The strategy aims to provide returns that track the Bloomberg AusBond Composite 0+ Yr Index.

Investment strategy: Investments into the Australian Fixed Interest asset class will be attained through the use of low cost index-focused investment managers.

## Investment Option Performance

To view the latest investment performances please visit [www.amp.com.au](http://www.amp.com.au)

## Investment Option Overview

<b>Investment category</b>	Australian fixed
<b>Suggested investment timeframe</b>	3 Years
<b>Relative risk rating</b>	Low - Medium
<b>Investment style</b>	Index

<b>Asset Allocation</b>	<b>Benchmark (%)</b>
Australian fixed interest	100
Cash	0

## Market Review

Government bond yields in Australia followed a similar path to their overseas counterparts to drift higher in July before retracing somewhat when weak inflation data for the June quarter was confirmed. In August, bond yields were lower, driven by geopolitical factors such as ongoing global trade tensions and political instability domestically which saw the replacement of the Prime Minister. September saw this trend reverse, with local bond yields rising amid a broad bond market sell-off, as better than expected economic data globally was buoyed by stronger domestic economic growth results for the June quarter and improving labour market measures. The Commonwealth Government 2-year bond yield ended the quarter at 2.03%, while the Commonwealth Government 10-year bond yield ended at 2.67%.

Australian interest rates continued to be held at 1.5% by the Reserve Bank of Australia (RBA) for the 23rd meeting in a row. Again, nothing in the RBA's monthly statements throughout the quarter indicated any imminent change to monetary policy. While good GDP growth and an improving labour market bode well for the economy, falling housing markets on the east coast combined with tightening credit conditions for banks are a concern. The consumer spending outlook is still uncertain. Three and six-month Australian bank bill rates finished a little lower for the quarter, finishing at 1.93% and 2.13% respectively.

## Outlook

Australian yields continue to trade at a premium to those available in Japan and Europe, making Australian sovereign fixed income and corporate credit relatively attractive from an international and yield perspective. The Reserve Bank of Australia has a short-term neutral policy in regards to the timing and direction of interest rate changes. However, conflicting economic pressures and a low inflationary environment mean it is too early to be considering interest rate hikes. Housing market and household debt levels continue to be an area for concern.

## Availability

Product name	APIR
AMP Flexible Super - Retirement account	AMP1333AU
AMP Flexible Super - Super account	AMP1462AU

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