

Super Easy Australian Fixed Interest

Quarterly Investment Option Update

31 December 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

Investment Option Overview

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

Asset Allocation	Benchmark (%)
Australian fixed interest	100
Cash	0

Market Commentary

Government bond yields in Australia largely mirrored their overseas counterparts to fall significantly during the December quarter, as financial markets experienced increased volatility amid predominant 'risk-off' sentiment. Earlier in the quarter, domestic bond yields showed some divergence from offshore bond movements, in particular the US, with the local market receiving support from strong local economic data on balance. However, in line with offshore moves domestic bonds rallied strongly during December, with market pessimism being further impacted by softer local economic data which included a weak gross domestic product reading for the September quarter and mixed labour market measures, while the continued fall in house prices also weighed on the domestic market. The Commonwealth Government 2-year bond yield ended the quarter at 1.90%, while the Commonwealth Government 10-year bond yield ended at 2.32%.

Australian cash and deposits continue to provide low returns, with interest rates being held for some time at 1.5% by the Reserve Bank of Australia (RBA). Commentators are split on whether the next move will be up or down, though with signs of inflation slightly reducing and some poor economic readings, the risk is arguably being tilted slightly towards a cut, rather than rise at some stage in 2019/20. Three and six-month Australian bank bill rates closed December at 2.09% and 2.22% respectively, a rise of 16 and 9 basis points.

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 stated short-term neutral policy in regards to the timing and direction of interest rate changes. However, a weak economic backdrop is more likely to result in a rate decrease in the short term. Housing market and household debt levels continue to be an area for concern, although currently there is little evidence of significant non-performing loans.

Availability

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

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