

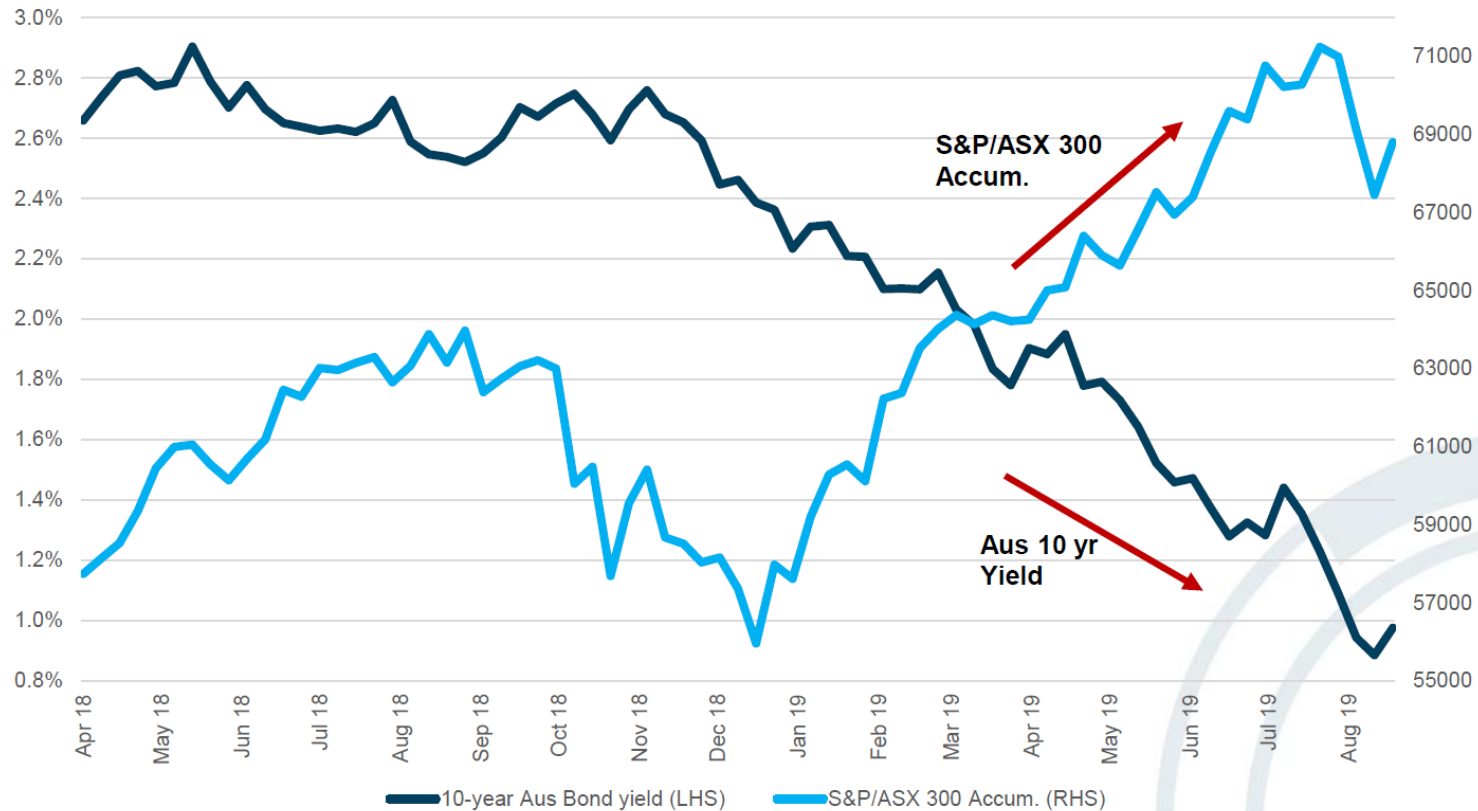
EQUITIES: GLOBAL & DOMESTIC

Catherine Allfrey

Principal and Portfolio Manager

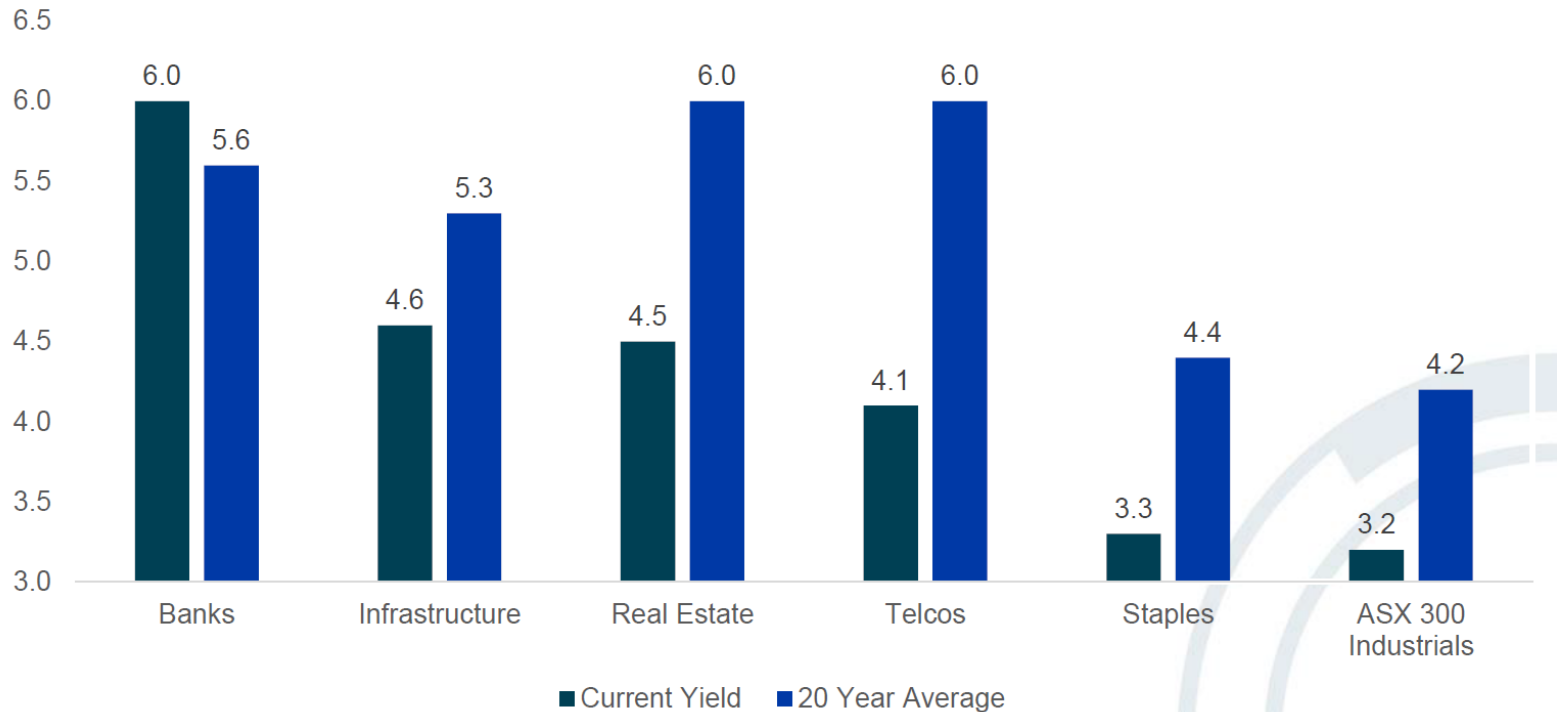
WaveStone Capital

THE STOCK BOND DISCONNECT



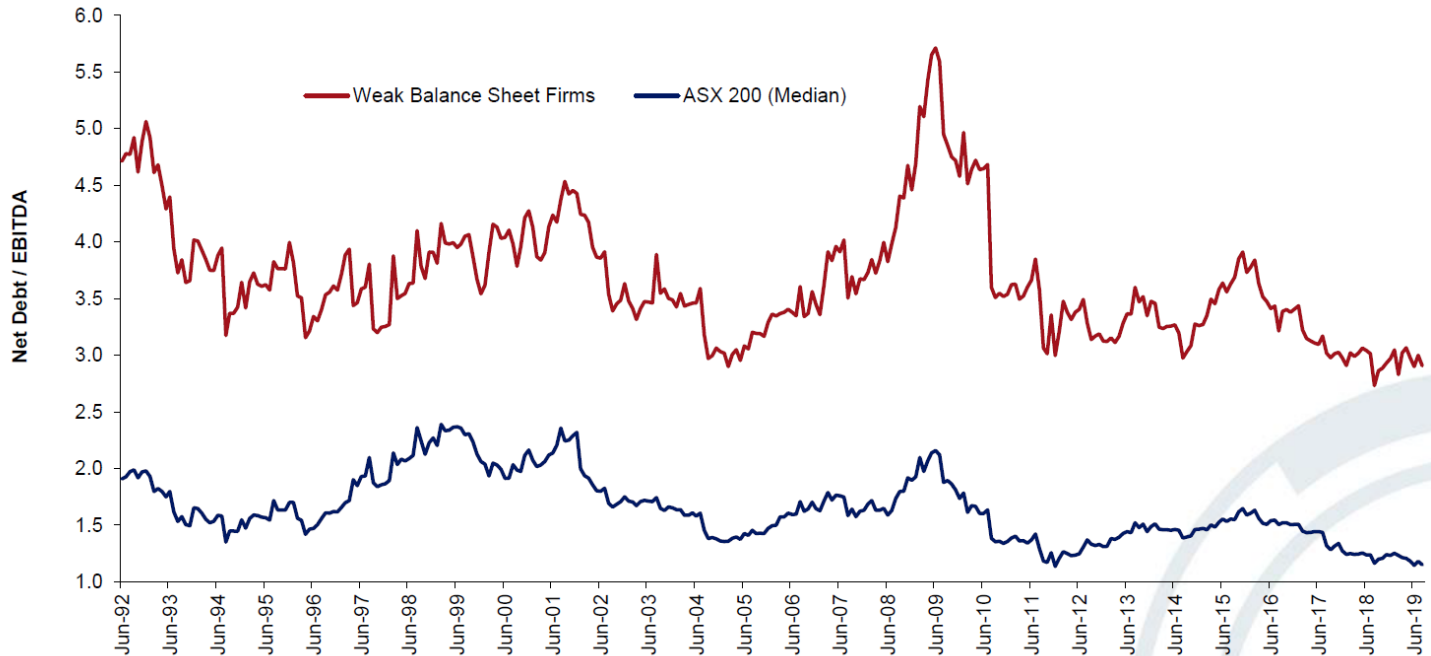
IMPACT OF RATES

Investors looking for bond proxies have compressed yields – earnings risk?



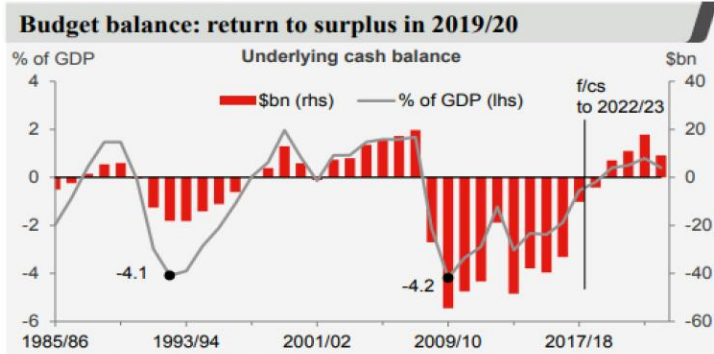
IMPACT OF RATES

Board and management teams cautious

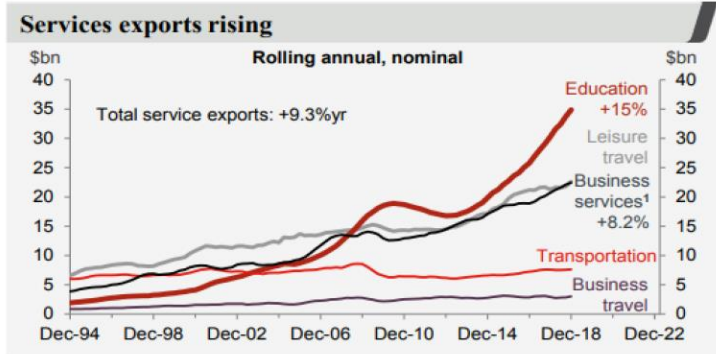


AUSTRALIAN ECONOMY – THE POSITIVES

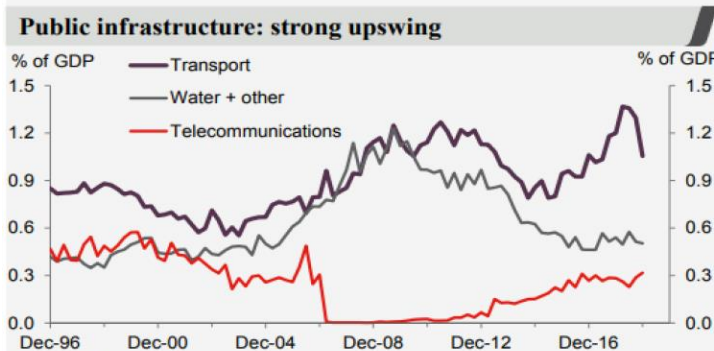
Macro Drivers – Two interest rate cuts, Tax cuts and AUD < 70c



Sources: Budget papers, ABS, Westpac Economics.



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Sources: ABS, AFR, Westpac Economics.

EARNINGS OUTLOOK

Market and sector EPS growth (%)

Pro-rated to June	FY18A	FY19E	FY20E	FY21E
All Companies	3.2	2.3	7.5	-2.2
Banks	-4.2	-7.3	0.9	0.8
Property Trusts	5.6	5.2	1.4	3.4
Resources	21.2	21.9	22.2	-20.9
Industrials (All Cos ex Res, LPTs, Banks)	1.0	-0.7	4.2	8.9
Domestic Industrials	3.9	-10.6	0.6	7.0
International Industrials	-4.6	18.2	10.0	11.4

Source: Macquarie Research, August 2019

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