

Equity markets buoyed by positive trade talks

MARKETS



- **Local and global equity markets trended higher this week**, supported by positive trade talks, slightly better than expected corporate earnings, and expectations of a Fed rate cut next week.
- **2nd quarter US corporate reporting season continued this week with mixed results**, but the underlying trend looks likely to be better than previously expected.
- **In local stock news, National Australia Bank finally has a new CEO**, appointing Royal Bank of Scotland boss Ross McEwan. He comes with plenty of Australian banking experience, previously being head of retail banking at CBA. However, he won't start right away, which is a problem given NAB's current malaise.
- **Macquarie Group's trading update saw management maintain its most recent guidance** of earnings slightly lower than last financial year. The company has a track record of under promising and over delivering. Time will tell.
- **ResMed reported 4th quarter results above market expectations**, with top line revenue growth of 13%. Mask sales were particularly strong globally, whilst device sales were strong in the US.
- **Iron ore exposed companies were hurt this week** as the iron price fell on the back of Brazilian mining giant Vale partially restarting operations on their closed mines.
- **The Australian dollar fell this week** on expectations that the RBA may be more inclined to cut rates than the Fed, following the European central bank's decision not to cut rates.

ECONOMIC



- **Domestic travel through Sydney Airport was down in June for a 3rd straight month**, outweighing an increase in international visitors. Household discretionary expenditure continues to be under pressure absent any material wages growth.
- **The US central bank looks likely to cut rates when it meets next week** as a pre-emptive measure to potential worsening economic conditions ahead caused by trade wars. The US economy doesn't look like it needs the cut, but current central bank members appear to be more globally focused.

- **Investors in European equities were disappointed** after the European central bank did not discuss interest rate cuts at their meeting, against expectations of a cut. The bank indicated that they saw a need for more stimulus ahead, but effectively ruled out the risk of recession and that they would wait for more data before taking action.

POLITICS



- **The Italian “experimental” government containing a far left and far right coalition is showing its first signs of strain** with sparring between the parties leading to concerns the government might collapse.
- **The UK has a new Prime Minister with Boris Johnson claiming victory from within his party.** Markets and the UK economy will like the certainty of having a leader in place, but Johnson doesn’t instill any confidence that the next 6 months is likely to be any different than the last 6 months. He is a “hard Brexiter” so we’ll see how that goes come the deadline in October.
- **Iran seized a British-flagged oil tanker as likely retaliation for UK commandos recently storming an Iranian vessel.** The problem this time around was Britain had no sitting Prime Minister which meant no authoritative action could be taken.
- **A report indicated that US trade officials would travel to China next week** for face-to-face trade meetings, following speculation that recent talks have been positive.
- **President Trump and US congress reached a deal on a 2 year extension of the government’s debt ceiling** and federal spending caps that would remove the risk of another government shutdown later this year. However, the deal doesn’t address the problem, which will result in a larger budget deficit.