



Markets Higher on Potential Fed Rate Pause

MARKETS



- **Local and global equity markets finished higher this week** following comments from the US central bank chair on future rate rises.
- **Amazon.com said Cyber Monday 2018 was the biggest selling day in the company's history.** Cyber Monday sales hit US\$7.9bn, making it the largest online shopping day ever in the US. Thanksgiving Day totalled US\$3.7bn whilst Black Friday rang up US\$6.2bn in sales.
- **US 3rd quarter company reporting season finished strongly** with 78% reporting earnings above market expectations and 61% reporting sales above expectations. The earnings growth rate for the period was the highest since the 3rd quarter of 2010.
- **In local stock news, Mineral Resources has sold a 50% stake in their WA lithium mine** for almost \$1.6bn to US specialty chemicals company Albemarle.
- **Rio Tinto announced that it has received full approval for their \$3.5bn new iron ore mine in WA** with construction to start next year and first production expected in late 2021. The mine will be the most technologically advanced Rio has ever built.
- **In the iron price continued to tumble amid reports that Chinese steel mills were offloading existing inventories** given an increasingly pessimistic outlook for Chinese steel demand. The old China (fixed asset investment) is slowing. Aussie resource stocks came under selling pressure as a result.



- **The value of Australian home building rose to a record \$77.3bn in the year to September**, even in light of a 1% slip in home building in the quarter. Construction will slow into the next 12 months, but will be somewhat held up by continued population growth and rising demand.
- **The US central bank chair uttered the magic words** this week when he stated that interest rates were close to their “neutral setting”, which means they’re closer to pausing their rate hiking cycle. But he remained very clear that any rates rises from here would be data dependent.
- **The US commerce department affirmed that 3rd quarter economic growth was at a 3.5% annual rate**. However, the goods trade deficit widened, consumer spending was revised lower, and sales of new homes weakened. Some of the heat looks to be coming out of the economy.
- **German economic growth fell in the 3rd quarter**, the first negative reading since early 2015. Economic growth was still up 1.1% on the same period a year earlier.
- **Eurozone manufacturing data slipped to its lowest level in nearly 4 years**, but remains in expansion for now.
- **The European Central Bank chief economist acknowledged that the Eurozone has lost some growth momentum** and headwinds (protectionism/trade, financial market volatility, emerging market concerns) are becoming increasingly noticeable but also noted the positive effects of recent oil price falls.



- **The much anticipated showdown between President Trump and President Xi takes place over the weekend** as part of the G-20 summit in Argentina. Investors are hopeful of some sort of resolution on the trade front, but the outcome is anyone’s guess given the two actors involved.
- **Italy’s deputy PM said the government would show the highest willingness to work with European institutions** in order to resolve a budget stand-off.
- **British PM May faces a tough task of getting the Brexit agreement through the country’s parliament** after European leaders backed the withdrawal agreement. The Labour party, Liberal Democrats, the Scottish National Party, and the Northern Irish DUP have all indicated they will vote against it. Without an agreement, the UK economy will plunge into recession next year.