

Equity Investors Panic on US Fed Rate Path

MARKETS

- **Equity markets fell sharply towards the back end of the week** following concerns regarding the pace of US central bank rises in light of strong jobs data.
- **US tech stocks were hit particularly hard** given the very strong run the sector has had over the last few months.
- **There was plenty of activity in bond markets as well** with investors seeing value in US 10 year bond yields at 3.24%, whilst there was plenty of panic selling in corporate credit ETFs globally. Not all bonds are created equal.
- **In local stock news, ANZ bank shares came under pressure** earlier in the week after the company flagged a larger than expected hit to its full year profit due to impairments and one-off expenses, with a big chunk coming from customer remediation.
- **Ramsay Healthcare's 51% owned French subsidiary has received the backing of the board of Capio**, a large north European hospital operator, to take over the company in a deal worth nearly \$1.3bn. Ramsay will use its Euro denominated debt facilities to fund the deal.
- **The Telstra chairman has defended multi-million dollar executive bonuses** while apologising to frustrated shareholders, in preparation for a showdown with investors preparing to vote against the company's remuneration plan at its annual general meeting next week.

ECONOMIC

- **Australian retail spending beat market expectations** to register a slight rise of 0.3% in August, with department stores posting the biggest gains.
- **US job numbers increased less than expected in September**, though data for July and August was revised higher, with the unemployment rate falling to 3.7% and annual wage growth pushing up to 2.8%.
- **The Chinese announced a steep cut in the level of cash that banks must hold as reserves**, with the move aimed at lowering financing costs and spurring growth in light of ongoing trade wars with the US. Expect more Chinese stimulus to come.
- **The International Monetary Fund cut global economy growth forecasts** for 2018 and 2019 and its 2019 US and China estimates, saying the two countries would feel the pain of their trade war next year.

POLITICS

- **President Trump repeated a threat to impose tariffs on US\$267bn worth of additional Chinese imports** if China retaliates for the recent tariffs and other measures the US has imposed.
- **President Trump threatened to remove the US central bank chair Jerome Powell**, blaming him for the stock market correction. He also went on to blame the chair making him pay more interest to Deutsche Bank on his US\$300m personal loan.
- **A news report cited European Union officials discussing a compromise Brexit deal** which would see the UK retain some of its pre-Brexit customs arrangement.