

18th November 2019

Aussie dollar falls on expectations of additional RBA stimulus

MARKETS

- **Local and global equity markets were mixed** for the week on concerns regarding trade wars and better than expected corporate earnings results.
- **The end of US company 3rd quarter reporting season closed in with better results than expected** against low expectations leading into the season. Approximately 75% of companies have beaten estimates, but the overall result is likely to still be a slight decline in earnings.
- **In local stock news, BHP seemed to indicate they are likely to ramp up activity in their petroleum division** versus shareholder pressure to divest the division. The company is anticipating a global supply gap and stands ready to boost oil production.
- **CBA has reported 1st quarter earnings and operating income up from the 2nd half of 2019**, with all important net interest margin increasing. Operating expenses were also up. Overall, the result was mixed with plenty of one off items still coming through and dropping off following the royal commission.
- **The Aussie dollar fell this week** following the poor labour market data and the central bank's downgrade to growth forecasts. Further interest rate cuts and other stimulus measures will be needed.

ECONOMICS

- **The Reserve Bank of Australia has unsurprisingly confirmed a downgraded full year economic growth forecast** for 2019 and now thinks it will take longer before growth starts heading back toward their unchanged longer term target.



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- **The Australian unemployment rate rose in October** as employment fell across the board, with total employment falling by 19,000 against expectations of a 15,000 increase.
- **Australian wages growth softened as expected in the September quarter**, with households hurt by an ongoing lack of hours. Annual wages growth slowed to 2.2%.
- **The US central bank chairman said interest rates are on hold unless** there is a material deterioration in the economy, and that the bank saw a sustained expansion ahead.
- **US consumer sentiment rose slightly in November**, coming in ahead of economist forecasts. Important as the US consumer is largely the only thing holding up the US economy right now.
- **The US federal government's budget deficit rose by US\$135bn in October**, putting the US on course to top the US\$1 trillion deficit mark in this financial year, which would equate to a very large 5% of economic growth.
- **Britain's economy grew at its slowest annual rate in nearly a decade** in the 3rd quarter but held off from recession. In contrast, the unemployment rate fell to 3.8% whilst average weekly earnings fell.
- **German exports jumped 1.5% in September**, coming in well above economist expectations. The data print was the biggest monthly increase in almost 2 years.
- **China's October imports and exports both fell**, but both came in much better than economist expectations.
- **The world witnessed its largest ever retail event with the 11th annual Chinese Single's Day** hosted by Alibaba. The event saw \$56.6 billion transacted over a 24 hour period. \$1.47 billion was processed in the first minute, with almost \$18 billion in the first hour alone.

POLITICS

- **US President Trump has indicated that the US is close to signing an initial trade deal with China** but offered little in the way of details. The recent stalemate in negotiations centred on the Chinese request for some existing tariffs to be wound back as part of the 1st deal, which the US is clearly against.



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- **Potential signs of a coalition are forming as British political campaigning ramps up** with less than a month to go until the election. The Brexit Party has said it won't contest seats currently held by the Conservatives. Alliances will be important given current expectations for a very divided outcome.
- **The Spanish had their 4th federal election in 4 years with deeply divided results yet again.** However, the socialist and far-left parties look to have joined forces to form a coalition. The result was seen as a negative for markets.



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