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# Fed's Dovishness Boosts Investor Sentiment

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## MARKETS



- **Global equity markets finished higher this week** with investor sentiment boosted by the US central bank's dovish comments.
- **The local equity market finished lower** with investors remaining nervous in anticipation of the release of the Royal Commission final report.
- **US companies continued to provide quarterly results, with the majority of companies maintaining profits and earnings above expectations.** However, revenues appear to weaker.
- **In local stock news, ResMed's share price fell sharply** after their 2<sup>nd</sup> quarter result fell short of market expectations. Earnings growth was solid, but the company's revenues fell.
- **The share prices of iron ore miners shot up this week** following supply concerns on high grade ore following the deadly Vale mine disaster in Brazil.
- **TPG shares rose strongly following their announcement they wouldn't build out their mobile network** due to a government ban on using equipment from China's Huawei. The move also boosted Telstra's share price given they won't have to contend with another competitor.

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## ECONOMIC



- **No rate rise from the US central bank as expected,** but their dovish rhetoric did satisfy equity investors, with the bank dropping the magic words "further gradual rate hikes" from their statement. Just as importantly, the bank stressed they will be patient and also suggested for the first time that they may slow the rate at which they shrink their balance sheet.
- **A US private sector payroll report showed companies added a better than expected 213,000 jobs in January.** The strong jobs growth came even as the government was partially shut-down through the period.

- **US new home sales for November surged**, quelling recent concerns regarding the health of the US housing market in light of higher mortgage rates.
- **The European central bank governor provided a downbeat assessment of the European economy** as he appeared before a European parliamentary committee.
- **Eurozone economic growth stagnated in the 4<sup>th</sup> quarter** resulting in a 1.2% growth rate for calendar year 2018, which is the lowest pace of growth in 4 years. German retail sales slumped 4.3% in December, the biggest decline since May 2007.
- **Eurozone economic sentiment fell for the 7<sup>th</sup> consecutive month** in January, slipping to a 2-year low.
- **Chinese data showed that earnings at industrial companies shrank for a 2<sup>nd</sup> straight month** in December, hit by slowing prices and weak factory activity mainly caused by the trade war.
- **Chinese steel sector data was positive**, pointing to increased steel demand.

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## POLITICS

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- **The US justice department levelled charges against Chinese telecom giant Huawei**, putting stress on ongoing trade talks between the US and China.
- **US Congress and the President reached a deal for a temporary re-open of the government** until 15<sup>th</sup> February. Congressional Democrats have since made it clear there is no chance they will agree to release funds for President Trump's wall.
- **Mixed messages this week out of both trade camps** with mostly optimistic rhetoric that some sort of deal gets done by the 1st March deadline self-imposed by both presidents.
- **British parliament has sent PM May back to the negotiating table with Europe.** The Europeans have again reiterated there will be no concessions on the current agreement. There appears to be another British parliamentary vote on the Brexit deal set for 13<sup>th</sup> February.