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# Markets choppy as trade wars escalate

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## Markets

- **A choppy week in equity markets with the local market falling but most global markets finishing higher.**
- **The much-anticipated US corporate earnings season begins tomorrow** (Friday US time). The US market is trading expensively off the back of the bumper March earnings season, so this earnings season is incredibly important to justify those valuations.
- **Recent trading in bond markets shows there's a more than 50% chance of 4 US rate rises this year.**
- **In local stock news, reports indicated that BP has submitted an offer north of US\$10bn to acquire BHP's shale assets.** BHP slated the assets for sale some time ago, with new management deciding they were non-core assets.
- **Stockland has confirmed earnings growth guidance at the top end of the previous range.** Management also confirmed that it has completed 6,400 residential settlements in the 2018 financial year. Importantly, 95% of those settlements were for single family dwellings (not apartments) and 75% of buyers are owner-occupiers.
- **Scentre Group has brought a 50% stake in Westfield Eastgardens from the Saunders family.** The deal was struck on a pretty full valuation; however, Scentre Group manages the asset so should know its potential better than most.
- **The oil price fell this week on concerns regarding the impact of trade wars** and some data which showed rising supplies and inventories.

## Economics

- **A key speech by the Australian banking regulator seem to indicate that he's happy with where improved bank lending standards currently are** and doesn't see the need for further tightening. There appeared to be less concern at the overall level of housing credit growth.
- **The US added 213,000 jobs last month coming in ahead of market expectations.** The unemployment rate rose from an 18 year low to 4%, whilst average hourly earnings rose slightly. No pressure on the Fed here.
- **US headline inflation edged higher in June to push the annualised increase to 2.9%**, which is the biggest gain since February 2012. Core inflation (less impacted by energy prices) rose to 2.3%. A little pressure on the Fed here, but probably not enough yet to lock in 4 rate rises for this year.
- **A key German economic sentiment index fell to its lowest level in nearly 6 years.** Broader European issues and trade war escalation taking their toll.
- **Eurozone house prices rose at the fastest pace in 11 years during the 1<sup>st</sup> quarter of this year**, up 4.5% versus the same time a year earlier.

## Politics

- **The US and China went ahead with their reciprocal tariffs on \$46bn worth of each other's imports.** The Chinese accused the White House of triggering the largest scale trade war. President Trump has warned that the US may target more than US\$500bn worth of Chinese goods.
- **UK Prime Minister May secured a "soft" Brexit much to the dismay of pro-Brexit Conservative members of parliament**, which then saw two senior members of the PM's ministry resign their posts in protest.