
Blog week ending 27th October 2017

Strong full year results fail to lift local market

Markets

- **The local equity market finished lower this week** in contrast to the release of some strong full year company results.
- **The local market took the lead of the US market, which finished lower** on the back of some poor company results and concerns that the new central bank chair might be a hawk.
- **Asian and European markets finished higher** following the European central bank's extension to their stimulus program.
- **US bond yields rose strongly (prices down) this week** following reports that Republican senators and President Trump favour John Taylor (a hawk) to become the next head of the US central bank. Taylor believes interest rates should be much higher than current levels, which is at odds with President Trump's preference for low rates and a soft US dollar.
- **In local stock news, Wesfarmers reported a reasonable 1st quarter sales result**, with Bunnings, Kmart, and Officeworks continuing to perform strongly. Coles Food & Liquor showed growth continuing to slow in a very competitive environment, whilst Bunnings UK disappointed.
- **Stockland reported strong full year results**, with funds from operations growing 8.5% and a 4.1% rise in the full year dividend.
- **ANZ bank reported a strong result, with an 18% lift in its full year cash profit** to \$6.94bn, and a 17% lift in earnings per share. All helped by significant cost reductions, mortgage repricing (i.e. lifting mortgage rates), lower bad debt charges, and a simpler and more streamlined business model.
- **Macquarie Group released a bumper 1st half result** with net profit of \$1.24bn, up 19% on the same time last year and well above market expectations. The 1st half dividend is up 7% on last year's and the company will undertake \$1bn buy-back.

Economics

- **Australian quarterly inflation came in below market expectations**, with annual inflation now running at 1.8%, below the RBA's 2-3% band.
- **The European central bank left rates unchanged but indicated it will reduce its asset purchase program** to \$35bn per month (from \$60bn) starting in January. The purchases will continue at least until September 2018, effectively extending the program.
- **The UK economy grew faster than expected in the 3rd quarter** with annual economic growth at 1.5%. Services, which accounts for 80% of the UK's national output, continued to drive growth.

About Futuro Financial Services Pty Ltd:

Futuro is a ASF licensee that manages a national network that accounts for more than \$2 billion in funds under advice. Since it was established in 2002, Futuro has grown organically to cover some 80 authorised representatives in around 45 offices nationally. The core vision of the group is to be the dealer of choice for highly successful groups of planners, or those that aspire to be so.

Politics

- **The US senate passed a budget blueprint for next year, paving the way for tax cuts.** Key now is the quantum and timing of any potential tax cuts. However, the budget legislation did contain a clause which would make it easier to push through tax reform legislation.
- **The Spanish PM invoked the most far-reaching powers in the constitution,** including dismissing the Catalan President and his government, taking control of the regional police force and public TV and radio channels, as part of a broad range of measures.
- **Japan PM Abe's gamble on an early election paid off** with his ruling coalition retaining its 2/3rds majority in parliament. This boosts Abe's chance of winning another term next year to lead his party, and also gives the PM the supermajority needed to revise the country's "pacifist" constitution in place since the end of the WWII.
- **The 19th National Congress of Communist Party of China concluded this week** with President Xi Jinping breaking with decades of tradition by failing to identify his successor when his term ends in 2022.

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