

Investor Jitters Rise as Trade Wars Escalate Yet Again

Markets

- **Local and global stock markets fell at President Trump ramped up his trade rhetoric.**
- **Investors in US technology stocks took a bath this week** with both Intel and Twitter plunging on missed earnings estimates and a decline in monthly active users, respectively. This follows Facebook's large one day fall last week.
- **In contrast, Apple delivered a strong 3rd quarter result**, with investors pushing the company to a market value above US\$1 trillion.
- **2nd quarter US company reporting season is well past its midpoint with market expectations remaining high** for 22% earnings growth across the largest 500 listed US companies. Over 80% of companies have beaten market estimates to date.
- **In local stock news, Telstra has made sweeping changes across their management team**, with the head of technology, head of wholesale, and chief marketing officer all departing. The news comes on the back of their recently announced moves to slash 9,500 jobs.
- **In a trading update, AMP Limited has flagged over \$800m in costs being set aside** for anticipated client remediation, costs of client file reviews, upgrade of compliance systems, and other one-off costs. The company will also cut pricing on its MySuper products. Dividend guidance was at the lower end of the payout range.
- **Nine updated the market on their proposed merger with Fairfax saying they expect the transaction to be earnings per share neutral** for Nine, and that's after assuming the full benefit of costs savings. That quite obviously brings into question the basis for the merger for shareholders.....
- **Rio Tinto reported a 1st half result below market expectations**, missing earnings and dividend expectations, as cost pressures rose. However, the company is flush with cash announcing an increase to their buy-back program by US\$1bn. They also announced that money from its recent asset disposals will be returned to shareholders over time.

Economics

- **A surprise result in approvals for construction of Australian new homes in June**, with figures showing a 6.4% lift, coming in well above market expectations.
- **The US economy grew at a 4.1% annualised rate in the 2nd quarter**, its fastest pace in nearly 4 years, on higher consumer spending and farmers rushing soybean shipments to China to beat tariffs. Whilst the pace of growth is clearly healthy, the boost is expected to be a one-time hit as trade and tax cut effects unwind over the next 12 months.

- **US consumer spending rose in June in line with market estimates**, however May's figure was upwardly revised. Personal incomes rose, but there was no upward pressure on the US central bank's preferred measure of inflation.
- **Latest US labour market data showed strong new addition of jobs in July**, well above market expectations with June's figures also being upwardly revised.
- **The UK central bank raised interest rates by 0.25% to 0.75%**. The move, only the 2nd rate hike in nearly a decade, was expected by market participants.
- **Chinese economic data came in weaker than expected** by the market with key manufacturing and service sector indices falling, as the government continues to clamp down on polluters and heavy industries.

Politics

- **A report noted that representatives of the US Treasury Secretary and the Chinese Vice Premier are having private conversations** as they look for ways to re-engage in negotiations. Subsequently, and confusingly, the White House then announced a proposal to raise tariffs on US\$200bn worth of Chinese products to 25%, up from 10%.
- **PM Malcolm Turnbull has indicated he will re-examine his government's policies after the Coalition failed to win two key seats** from Labor in the weekend's by-elections, with Labor also winning the other 2 seats up for grabs. Whilst Turnbull clearly remains the preferred PM in the polls, Labor's messaging and campaigning is clearly resonating with voters.