

## WEEKLY MARKET UPDATE / OVERVIEW FOR THE WEEK STARTING 09 MARCH 2020

### Major upcoming global economic releases and events

DATE	DATA/EVENT	PREVIOUS	CONSENSUS
10-Mar-20	Australia business confidence (Feb)	-1	-2
11-Mar-20	Australia consumer confidence (Mar)	95.5	94.7
11-Mar-20	UK industrial production y/y (Jan)	-1.8%	-2.6%
11-Mar-20	US core inflation rate y/y (Feb)	2.3%	2.3%
12-Mar-20	Europe industrial production y/y (Jan)	-4.1%	-3.4%
12-Mar-20	Europe interest rate decision	-0.5%	-0.6%
13-Mar-20	US consumer confidence (Mar)	101	97

Source: Bloomberg, UBS Global Research, Tradingeconomics.com

### What to watch this week



#### Australia

The global spread of the coronavirus continues to dominate investor sentiment and to drive extreme market swings, a situation that is likely to persist in the immediate future. Last week's data flow reflected a period before the height of the coronavirus and painted a mixed picture. Q4 GDP growth exceeded expectations at 0.5% over the quarter and 2.2% over the 2019 calendar year. Building approvals fell sharply in January, against expectations of a modest rise, the trade balance remained in a healthy surplus but retail sales were weaker than expected in January.

After a sudden shift in interest rate expectations the RBA didn't disappoint last week, cutting rates by 0.25% and flagging a willingness to reduce interest rates further in order to support the economy. With data likely to weaken from here market pricing suggests another cut in April and the chance of quantitative easing has risen.

In the week ahead business and consumer confidence measures are the highlights in a relatively sparse data schedule.



#### US

US PMI data and factory orders held up relatively well last week but would be expected to decline from here as the coronavirus spread has intensified. Non-farm payrolls printed at +273k, very comfortably ahead of the +175k expected by the market.

A G7 meeting last week was immediately followed by a 0.50% rate cut by the Fed, which came as something of a surprise to markets. The reaction saw a sharp sell off in US equities, suggesting that investors are not convinced that lower rates can solve the issues facing the global economy. The Bank of Canada also cut interest rates and the ECB are expected to follow suit in the near future. After a volatile week an apparent escalation in new cases (both in the US and elsewhere outside of China) spurred another sharp drop later in the week as investors reassessed the likely impact on the world economy.

This week inflation data is likely to remain subdued while consumer confidence is expected to fall.



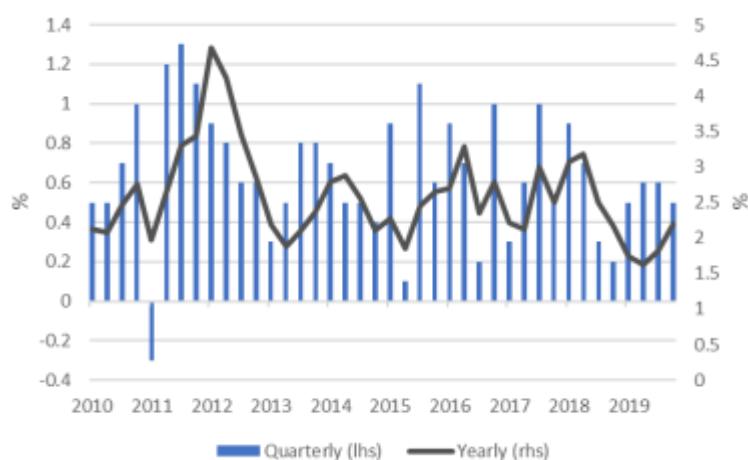
#### Europe

The European unemployment rate held at 7.4% last week, as expected and inflation numbers were also inline with consensus as the core index held at 1.2% in the year to February. Retail sales outperformed, gaining 1.7% in January versus expectations of a 1.1% rise.

In line with other major central banks both the ECB and the BoE are expected to push through emergency rate reductions, although doubt remains whether those measures can have a material impact given rates are already so low. As the spread of the virus intensifies the response, and therefore immediate impact on economies, is becoming more pronounced. In the UK, where cases jumped late last week, the government announced that new measures may soon be implemented. This could see school closures, the cancellation of large public gatherings and restriction on public transport. Similar measures are already in place in some European countries.

Industrial production data is scheduled for release in both the UK and Europe this week. The ECB meets on Thursday.

## Chart of the week—Australian GDP growth



Source: Bloomberg

GDP growth demonstrated the gentle turning point that the RBA has highlighted in recent months, gaining 0.5% in Q4 and 2.2% over the year. This was in line with market expectations from around a week ago but ahead of consensus immediately before the release, which had declined on the back of softer partial data in the days before publication.

The Q4 numbers were positive but given developments early this year, namely the bushfires and the coronavirus, attention is very much focussed on the likely Q1 impact. The situation is still highly uncertain, but estimates suggest a Q1 impact of around -0.5% to GDP growth, leading forecasts to focus on a flat result for Q1, with growing risks that the economy could move backwards. As the situation evolves it seems increasingly likely that the economic effects of the coronavirus will spill over from Q1 into Q2.

## Financial market movements

INDICATOR	AS AT 06-MAR-20	1 WEEK CHANGE	1 YEAR CHANGE	3 YEAR CHANGE (ANNUALISED)	5 YEAR CHANGE (ANNUALISED)
<b>EQUITIES</b>					
S&P/ASX 200 Accum. Index	68,113.22	-2.99	4.35	7.12	5.87
US S&P 500 TR <sup>^</sup> Index	6,050.80	0.65	10.49	10.06	9.62
Europe STOXX TR Index	712.57	-3.03	0.79	1.55	1.56
UK FTSE 100 TR Index	6,044.61	-1.56	-4.75	0.15	2.95
Japan TOPIX TR Index	2,123.58	-2.60	-4.42	0.08	1.05
MSCI World ex-Australia TR Index	4,812.67	-0.31	6.21	6.72	6.33
<b>FIXED INCOME</b>					
Australian 90-day bank bill yield	0.60	-30.60	-131.50	-32.81	-28.12
Australian 10-year bond yield	0.68	-14.30	-142.00	-71.48	-39.53
US 90-day bank bill yield	0.46	-78.57	-193.51	-7.47	8.89
US 10-year bond yield	0.76	-38.63	-193.11	-58.25	-29.76
UK 10-year bond yield	0.24	-20.60	-99.10	-32.67	-34.48
German 10-year bond yield	-0.71	-10.30	-83.80	-35.19	-22.16
<b>COMMODITIES</b>					
Gold	1,673.83	5.56	30.12	10.96	7.47
Oil—West Texas Crude	41.28	-7.77	-26.57	-8.11	-3.61
Iron Ore Spot Price Index	84.88	3.61	1.71	-2.03	6.45
<b>CURRENCIES</b>					
AUD:USD	0.66	1.58	-6.06	-4.20	-3.02
EUR:USD	1.13	2.86	0.94	2.47	0.90
GBP:USD	1.31	1.89	0.38	2.40	-2.77
USD:JPY	104.27	-3.36	-6.21	-3.03	-2.90
NZD:USD	0.63	1.31	-7.00	-2.91	-2.98
CHF:USD	1.07	3.39	7.96	2.81	1.09
AUD:EUR	0.59	-0.39	-5.42	-6.36	-3.74
AUD:GBP	0.51	-0.28	-6.44	-6.44	-0.26
AUD:JPY	69.03	-1.90	-11.87	-7.10	-5.83

\*BP = Basis Point, Source: Bloomberg; ^TR = Total return

## **IMPORTANT NOTE**

This document has been prepared by Crestone Wealth Management Limited (ABN 50 005 311 937, AFS Licence No. 231127) (**Crestone Wealth Management**). The information contained in this document is of a general nature and is provided for information purposes only. It is not intended to constitute advice, nor to influence a person in making a decision in relation to any financial product. To the extent that advice is provided in this document, it is general advice only and has been prepared without taking into account your objectives, financial situation or needs (your **Personal Circumstances**). Before acting on any such general advice, we recommend that you obtain professional advice and consider the appropriateness of the advice having regard to your Personal Circumstances. If the advice relates to the acquisition, or possible acquisition of a financial product, you should obtain and consider a Product Disclosure Statement (**PDS**) or other disclosure document relating to the financial product before making any decision about whether to acquire it.

Although the information and opinions contained in this document are based on sources we believe to be reliable, to the extent permitted by law, Crestone Wealth Management and its associated entities do not warrant, represent or guarantee, expressly or impliedly, that the information contained in this document is accurate, complete, reliable or current. The information is subject to change without notice and we are under no obligation to update it. Past performance is not a reliable indicator of future performance. If you intend to rely on the information, you should independently verify and assess the accuracy and completeness and obtain professional advice regarding its suitability for your Personal Circumstances.

Crestone Wealth Management, its associated entities, and any of its or their officers, employees and agents (**Crestone Group**) may receive commissions and distribution fees relating to any financial products referred to in this document. The Crestone Group may also hold, or have held, interests in any such financial products and may at any time make purchases or sales in them as principal or agent. The Crestone Group may have, or may have had in the past, a relationship with the issuers of financial products referred to in this document. To the extent possible, the Crestone Group accepts no liability for any loss or damage relating to any use or reliance on the information in this document.

This document has been authorised for distribution in Australia only. It is intended for the use of Crestone Wealth Management clients and may not be distributed or reproduced without consent.

© Crestone Wealth Management Limited 2020.