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## UNIT Monash: Week Eleven Newsletter

Hey <<First Name>>!

**Did you remember to vote? We hope so, because for your week 11 newsletter we are going to explore the result of the election and its impact on business and the economy. Enjoy!**

### Weekly Market Wrap

(Liberal Government)

Many investors have breathed a sigh of relief as the announcement came through that the Liberals had been successful in their campaign to lead Australia. The Australian stock market has been driven up to a near 12-year high with the ASX200 jumping up 1.7 per cent to 6475.5 points. The financial sector lead the way with a 5.1 per cent increase.

The significant rebound in the share market can be attributed to the diminished threat of two Labor policies that were aimed at changing the following:

#### Negative gearing

- Negative gearing is simply an application of the principle that expenses incurred in earning income are deductible against income for tax purposes. In practise, this works by using the interest payments on a housing loan to offset income, while the property appreciates in value.
- Restrictions to negative gearing for new investment properties may have contributed to exacerbating the downturn in the housing market, acting as a disincentive for new investors and lowering housing prices further.

#### Franking credits

- Franking credits are a type of tax credit that allows Australian companies to pass on tax paid at the company level to shareholders. The benefits are that these franking credits can be used to reduce income tax paid on dividends or potentially be received as a tax refund.
- Fully franked bank dividends would have been less valuable to investors if Labor had intervened on dividend imputation.

The big winners following the election are those investors who own shares in the big four banks and health insurers.

#### Banks

Banks rallied in response to the banking sector friendly Liberal policies defeating the Labor's plan for extra intervention and scrutiny.

- Commonwealth Bank of Australia (ASX: CBA) **+6.3%**.
- Westpac Banking Corp (ASX: WBC) **+9.2%**.
- National Australia Bank Ltd (ASX: NAB) **+7.9%**.
- Australia and New Zealand Banking Group (ASX: ANZ) **+7.8%**.

#### Health insurers

Health insurers saw growth as the threat of Labor's 2 per cent cap on annual premium increases over the next two years is no longer occurring.

- Medibank Private Ltd (ASX: MLP) **+11.5%**.
- NIB Holdings Limited (ASX: NHF) **+15.1%**.
- Ramsay Health Care Group Limited (ASX: RHC) **+7%**.



### Weekly Global Breakdown

#### Australia

Australian markets had a strong finish on the last trading day before the Federal election. The S&P/ASX 200 index and the broader All Ordinaries ended the week 0.59 per cent and 0.67 per cent higher respectively. Many analysts are foreseeing that the Reserve Bank of Australia will cut the interest rate, on the back of mixed economic data.

Both Coles and Woolworths led the way on Friday, with a 2.9 per cent and 2.2 per cent increase respectively. The mining sector also ended the week on a positive note, with BHP and Fortescue metals surging 2.5 per cent and 6.6 per cent respectively. However, the only sector down in the doldrums was the financial sector, closing the week 0.9 per cent lower. Citadel shares nosedived on Friday, falling 39.8 per cent after the company issued a profit warning, highlighting that the federal government had delayed decisions on the eve of the federal election.

Australian markets are expected to open higher, with SPI futures pointing 5 points higher at open. The market is expected to get a boost from the surprise coalition victory.

#### US

Wall Street closed the week, suffering another big slide amid growing concerns over escalating trade tensions, which led to tech shares being down. The Dow Jones Industrial Average, S&P 500 and the Nasdaq Composite dipped 0.38 per cent, 0.58 per cent and 1.04 per cent respectively. All the three major indexes were down following reports of trade negotiations between China and the US stalling. All sectors, except for the utilities sector, ended the week down, with the industrial and energy sectors falling the most.

US markets are expected to open lower following rising trade tensions and a fallout with Chinese technology giant Huawei.

#### Asia

China's stock market slid on Friday, fuelled by stalling trade talks and the fallout between the US and Chinese company Huawei. The Shanghai Composite index, the blue-chip CSI300 index and the Hong Kong's Hang Seng index dropped 2.5 per cent, 2.5 per cent and 1.2 per cent respectively.

Investors are remaining alert and waiting to see how trade talks pan out, as the

### Europe

The European markets weakened on Friday, with the pan-European STOXX 600 index slumping 0.4 per cent. The ongoing and intensifying trade war rattled the market, along with the Labour Party and Conservatives finishing Brexit talks without an agreement. Rising trade tensions are impacting upon European markets, with European carmakers and their suppliers dropping for the fourth straight week. This sector is rather volatile due to the mounting trade tensions.

### New to markets? Got Questions?



As we mentioned in previous emails - we started UNIT Monash with the vision of educating the student community in investing and trading to one day strive for financial independence.

We want to create a new concept of peer-to-peer communications about investing and trading. There's a lot of value in sharing experiences, having opinions and shedding light on new ideas. Feel free to get in contact with us via Facebook if you have any enquiries about investment, trading or our upcoming events or if you would like to provide any feedback.

Regards,  
UNIT Monash

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