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UNIT Monash: Week Three Newsletter

Hi <<First Name>>,

It's week three already and we are here to relieve you from those boring 8 am lectures (that we know you haven't been attending anyway). Its time to get focused and check out the third edition of our weekly newsletter and get up to date on all that happened last week! Enjoy!

Weekly Stock Market Wrap

BOEING

A tragedy such as an aeroplane going down is bad business for any manufacturer, however, two separate crashes that can be linked together is a nightmare. The model currently under scrutiny, Boeing's 737 Max 8 plane, was involved in the deadly Lion Air incident in Indonesia last year and now the recent Ethiopian incident. These models contribute a third of Boeing's overall sales, with around 5000 planes currently placed on order by approximately 80 airlines. It is unsurprising then that Boeing's value has been on a downward spiral that has culminated in a \$28 billion decrease in the company's market capitalisation. According to the Australian, with the 737 Max 8 currently grounded across the globe it is costing an estimated \$77 million per day. Pending the verdict of US regulators and prosecution on whether or not the planes will be grounded indefinitely, investors have been left to speculate on the possible outcomes creating volatility in the stock.

DEUTSCHE BANK / COMMERZBANK

(Two for the price of one)

German banks have displayed a degree of weakness in weathering Europe's current economic climate, with many lenders incurring trading losses for consecutive years. A combination of pressure from Wall Street, an overcrowded banking sector and lagging economic growth have contributed to declines in market values. The negative effects have been most prevalent for the likes of Germany's two largest banks, Deutsche Bank and Commerzbank. In perspective, these banks have incurred up to a 90 per cent decrease in value from their respective peaks. After months of speculation, it was confirmed last week that the two banks are formally discussing the possibility of a merger. The merger would see the two banks transformed into Europe's fourth largest lender by assets. While it is uncertain whether a deal will be reached, for the mean time investors appear optimistic with the stock price of Deutsche Bank gaining 4.2 per cent while Commerzbank increased by 6.9 per cent.

FACEBOOK

(Bulls turn back into bears)

Facebook stocks performed poorly last week despite stronger than expected earnings last quarter capped the share price out at US\$173. The share price dipped by 3.32 per cent from US\$171.68 to US\$165.98 over the course of the week. There have been a few recent factors can be attributed to this downward movement. The Facebook servers experienced their most significant outage to date, exceeding 24-hours, that extended to the WhatsApp and Instagram platforms. The average daily advertising revenue for Facebook is US\$90 million, and lengthy the outages impacted greatly upon earnings and share price. Coinciding but unrelated to these outages, two key players in Facebook's executive team, Product Chief: Chris Cox and WhatsApp leader: Chris Daniels, decided to leave the company. Unexpected departure of members at the top of a company's hierarchy sends discerning messages to it's investors about stability within the leadership team, placing downward pressure on stock price. Another factor that has damaged Facebook's reputation and share price is the public and political backlash as a result from the company's platform being utilised for the live-streaming of the Christchurch terrorist attack.



Weekly Global Market Breakdown

Australia

Australian shares closed a mixed week following Brexit uncertainty and mixed US-China trade news. The big miners finished the week lower, with BHP Billiton and Rio Tinto falling 1.1 and 1.2 per cent respectively. The big 4 banks led the way with the losses, with ANZ and Westpac dipping 2.8 and 1.9 per cent respectively. The uncertainty over the future of Brexit and the likelihood of a deal being struck between US and China has contributed to the advance for gold miners, as investors hedged against the uncertainty that has inundated the market.

Despite the mixed finish to the week, ASX is expected to open the week higher as a result of renewed US-China trade optimism.

US

Tech shares helped Wall Street report strong weekly gains, as Apple and Amazon performed strongly on Friday. However, their performance was struck down by the adverse news that engulfed both Boeing and Facebook during the week. There was also an uptick in equities, as a trade resolution draws closer. The Dow Jones Industrial Average edged higher by 0.5 per cent and the NASDAQ rose 0.8 per cent on Friday.

Asia

The Chinese market finished the week strongly with the Shanghai Composite up by a percent. Premier Li Keqiang promises to put in place stimulus measures to support growth and his boldness resulted in an uptick in sentiment.

The Hong Kong market ended the week higher due to China's pledge to use stimulus measures to lift up its slowing economic growth, as well as lifting trade optimism. As trade talks progressed, Hong Kong's Hang Seng edged 0.6 per cent higher. Japan's Nikkei 225 rose 2 per cent higher following Beijing's commitment to stimulating its economy growth.

Europe

European shares extended their rally on Friday, closing the week at a 5-month high. This was largely due to uplift in trade and Brexit optimism.

London's FTSE was up 0.6 per cent which was boosted by the big oil and mining stocks with higher metal and crude prices. There were a number of legal dramas that limited the market upside with UBS facing a hefty penalty from a French court and the money laundering scandal in Swedbank and Danske bank.

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. While we're in our preliminary stages of planning and organising these weekly casual meetings - we are taking expressions of interest for those that want to participate. There's a lot of value in sharing experiences, having opinions and shedding light on new ideas. Feel free to ask us any questions on Facebook and let us know what you're interested in!

Regards,
UNIT Monash

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