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UNIT Monash: Week Four Newsletter

Hey <<First Name>>!

Fears of a mild recession have seeped into financial news recently. Given this trend, we believe it would be helpful to shed light on this popular cocktail, so that you can make (yourself aware of) it.

Check out the week four newsletter!

Weekly Market Wrap

A Recipe For The Next Global Recession

Global Recession Buzz

Serves: Billions of people

Ingredients:

1. Yield Curve Inversion

Recently, the yield spread between the 2-year and 10-year US treasury securities have turned negative, sparking fears of an oncoming global recession. Marking the first time this had happened since 2005 before the GFC took place. Data from Credit Suisse reports that the last five 2-10 inversions eventually lead to recessions, with an average of 22 months till a recession arrives since the inversion. The rationale behind the concerns is that bonds held for a more extended period are considered safer than bonds held for only the next couple of years, implying that the future is economically safer than the present.

2. A large fall in indices

Upon news of the inversion, the Dow Jones and SNP shed 3% and 2.9% respectively. This reversed gains from the delay of tariffs by President Donald Trump on China to December. Banks were also hit by the fall, with Bank of America, Citigroup and J.P. Morgan bearing the bad news. Paired with this was news of an oncoming German economic recession after a drastic decline in industrial production in part due to the trade war, the most significant decline in 9 years.

3. Brexit

After Theresa May's dumpster fire of a time on 10 Downing Street, Boris Johnson is now captain of the ship navigating through uncharted waters of the UK's future without the EU. With constant tossing and turning from both the Tories (the conservative party) and the opposing Labour party, future negotiations with both Brussels (where the EU members congregate) and Corbyn's Labour have both proven to be impossible. Furthermore, the growing likelihood of the UK leaving the EU with 'no deal' and without the controversial Irish Backstop could resurrect decades-old tensions and plunge the UK into political and economic turmoil for years to come.

4. The U.S. China Trade War

It all started with an accusation that China owes the U.S. from a trade deficit. Millions of tariffs later, the trade war has led to an increase in the price of Chinese goods into the U.S. and U.S. goods into China for items like soybeans, corn, flat-screen TVs, cars, alcohol, steel and many more. The tariffs have put excessive pressure on producers and consumers alike, leading to decreases in overall economic activity on both sides. The trade war has also affected other nations like the EU, with Germany bearing the brunt of automobile tariffs issued by the U.S. As a result, all sides must consider a new sustainable future economic plan.

Method:

1. Pour all ingredients into a shaker with hot water and shake well. Make sure to delegate that task to a qualified Central Bank Head
2. Pour ingredients into a large container
3. Add bank rorts and developing country economic scandals to garnish
4. Serve



Weekly Global Breakdown

Australia

The Australian share market finished the week flat after losses in the energy and mining sectors weighed on the market. The benchmark S&P/ASX200 index and broader All Ordinaries fell 0.04 per cent and 0.08 per cent respectively.

The financial sector led the way, posting the most significant gain; with all of the big four banks finishing in positive territory. However, the mining giants both finished lower on Friday, with BHP Billiton and Rio Tinto dipping 0.60 per cent and 1.00 respectively.

The ASX is poised to open higher with the SPI futures pointing to a 41-point gain at open after US stocks rebounded on Friday. Looking ahead, BHP Billiton, Qantas and A2 Milk are some of the major companies reporting earnings this week.

US

US stocks rallied on Friday after talks of German economic stimulus boosted investor sentiment. All of the three major indexes were up on Friday. The Dow Jones Industrial Average, S&P 500 and the NASDAQ rose 1.20 per cent, 1.40 per cent and 1.70 per cent respectively.

Trump stated that the US was doing well with China, yet the trade deadlock is likely to continue as Trump reports he is not ready to sign a trade deal. Similarly, Trump reported that the CEO of Apple, Tim Cook, expressed a strong argument that the hike in tariffs would make it difficult for Apple to compete with Samsung. Since most of Samsung's manufacturing occurs in South Korea, they can avoid having to pay the rising tariffs on Chinese imports, while Apple would have to pay.

There is news coming out of the US with General Electric shares plummeting 11.30 per cent after a report from the whistleblower, Harry Markopolos, accusing the conglomerate of hiding 38.1 billion of losses.

Asia

Asian markets have had a strong finish to the week with China announcing their plans to introduce stimulus measures to help the economy. China has revealed that they will lower the real interest rate for companies, following China's economic data being softer than expected. The Hong Kong's Hang Seng and the Shanghai Composite finished the week up 0.90 per cent and 0.30 per cent respectively.

Thousands of anti-government protesters in Hong Kong flooded the streets, as the end of this week marks the eleventh week of protests. The ongoing protests have weighed on economic performance, with Hong Kong, last week announcing that it would inject billions into the economy to avoid a recession.

Europe

European markets closed higher on Friday, as investors turned cautiously to riskier assets after a rollercoaster of a week. The stronger finish to the week was on the back of growing hopes that the central

Looking ahead, statements are expected from the US Federal Reserve Chief Jerome Powell and European Central Bank head Mario Draghi on Thursday.

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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