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UNIT Monash: Week Seven Newsletter

Hey <<First Name>>!

After smashing your mid semester exams we hope you enjoy your well deserved break next week!

This week we are getting a blast from the past with a throwback themed newsletter from a guest writer. Our throwback themed newsletters will take a deep-dive into a particular investment trend or event that was prominent in the past, for this week it's time to learn what on earth '*Tulip Mania*' was.

Throwback Market Wrap

The Tulip Bubble

"When tulip mania dies down, all that remains are pretty flowers"
– Adam Cohen, American Journalist

Have you ever wandered into a florist to buy some flowers? Did you think to yourself: "Gee, that's a bit steep for some tulips, who would ever want to pay that much?" Well, you're not alone.

However, if you were in Holland in the early 1600's and thought this way, you would be considered nuts. Why? Because it was an investment.

Yes. An investment. You know, the thing that you put your hard-earned money into to make more money? Yes, that thing. Sounds ridiculous right? Well, the Dutch back then didn't think so.

It all started when a botany professor brought plants of Turkish origin from Vienna to Holland. The Dutch were fascinated by them, but they did not think for one moment to ask for the professor's price. This fascination became what is now known as 'tulip fever' and, just like the common fever, it affected everyone. It was a talking point amongst all folks from all socio-economic backgrounds and it became a symbol of status to own these tulips and to grow these in one's garden.

Furthermore, each tulip had its own unique asking price. This was an effect of mosaic, a non-fatal virus that made the tulips develop contrasting coloured stripes, also known as flames. The more this virus affected the flower, the greater its cost since the Dutch highly valued more intricate colouring of a 'flamed' tulip.

At the height of the bubble, people began to give away their possessions for these tulips. Land. Jewels. Buildings. Anything that they could give for these investments, they did. The pricing of these tulips spiralled out of proportion that even a sailor was imprisoned for mistakenly eating a wealthy merchant's 'priceless' tulip bulb (he thought it was an onion).

Then, the fever left. People started selling off these bulbs and kept their gains.

Then others followed suit and did the same. Soon, what was considered a symbol of wealth and prosperity lead many tulip sellers to bankruptcy and lead some to have all their wealth stripped from them in an instant.

So, the next time you think to yourself: "Gee, that's a bit steep for some tulips, who would ever want to pay that much?"

The answer is: "The ones that place that much value on it."

~ Written and contributed by N. Menezes ~



Weekly Global Breakdown

Australia

The Australian markets closed the week in positive territory with the S&P/ASX200 and All Ordinaries up 0.85 and 0.84 per cent respectively. The banks led the rally on Friday, with Commonwealth bank outpacing the other banks, with a 1.95 per cent increase. Despite the positive finish to the week, the mining and healthcare sectors were the only sectors down in the doldrums.

Mining giant, BHP Billiton dropped 0.15 per cent, while Rio Tinto finished off the week flat. Healthcare heavyweight CSL slumped 0.57 per cent and Cochlear dipped 2.23 per cent.

The SPI futures are pointing towards a flat start, as investors are still remaining cautious about slowing economic growth. The federal election campaigns are likely to cause some volatility in the market and investors will be closely monitoring the release of national employment figures on Thursday.

US

US stocks have ended the week at record highs, with all of the three major indexes gaining. The Dow Jones Industrial Average, the S&P 500 and Nasdaq Composite all rose 1.03, 0.66 and 0.46 per cent respectively.

The financials sector were the biggest gainers, following the earnings reports of JP Morgan, with JP Morgan's shares soaring 4.7 per cent. JP Morgan kick started the earnings season strongly, surpassing analyst estimates, which helped alleviate concerns that weaker economic growth would weigh on its results.

Walt Disney has tapped into the video streaming market, with Disney's shares climbing 11.5 per cent, on the back of pricing its upcoming streaming service.

US markets will be digesting the next batch of earnings reports on Monday, with investors closely watching to see how US companies have fared this quarter.

Asia

Shanghai stocks finished off flat on Friday, after better than expected exports helped recoup losses earlier on in the week. The Hong Kong's Hang Seng Index and the China Enterprise Index gained 0.3 per cent and 0.4 per cent respectively following upbeat China data. These gains were further supported by US Treasury Steven Mnuchin's comments on Saturday that a trade deal was close to being reached.

Asian stocks are poised to open higher on Monday following strong US earnings reports and positive China economic data.

Europe

Investor sentiment has been bolstered by JP Morgan's strong start to the US's earnings season, signs of stabilisation in China and Brexit relief, edging European shares higher on Friday. The Pan-European STOXX 600 index increased 0.16 per cent, with the financials and auto sector weighing on the benchmark the most. Italy's MIB led the way with 0.8 per cent increase, while German stocks finished 0.5 per cent higher.

There is speculation that Germany is going to slash their 2019 growth forecast, but the euro seems not to be phased by this news, with the euro gaining against the pound, dollar and yen.

Trade talk optimism will be driving European markets slightly higher on Monday. While positive signs are emerging from the trade discussions between the US and China, investors await the release of UK job

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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