

# Economic and market monthly update

8 November 2017



**Bob Cunneen**  
Senior Economist and Portfolio Specialist

*Bob reviews events in Australian and overseas markets during October.*

## What drove global markets in October?

Global shares made solid monthly gains of 4.5% in October in local currency terms. Positive global economic data and President Trump's plan for lower US corporate taxes proved strongly supportive of shares. Concerns over political risk with North Korea, Japan's snap election and Catalonia's push for independence from Spain had minimal impact.

US shares achieved new record highs in October. President Trump's 'tax plan' which includes a large corporate tax cut from 35% to 20% as well as significant income tax cuts continued to drive Wall Street. Optimism was further enhanced by solid US economic data featuring positive business surveys and stronger retail spending. However given that key US inflation measures remain below the 2% target, the Federal Reserve (Fed) is expected to only gradually raise interest rates over coming months.

European shares made further encouraging gains in October. European economic data is positive with robust business surveys and solid jobs growth. The European Central Bank (ECB) announced plans to further reduce their asset purchases from €60 billion per month to €30 billion in 2018. This is perceived as only a modest tightening in monetary policy.

Asian shares made strong gains. China's solid economic growth results for retail spending and industrial production proved supportive of Asian shares. Japanese shares made strong gains with the snap election results on 22 October maintaining the leadership of Prime Minister Shinzo Abe.

## How about markets in Australia?

Australian shares rebounded strongly in October (4.0%) after a disappointing performance in September. The Information Technology (8.7%), Energy (6.5%) and Health Care (5.6%) sectors recorded vigorous gains.

However Australia's economic data remains mixed. Strong jobs growth, favourable business surveys and a rise in consumer sentiments were the key positives. Yet retail spending has weakened over recent months. Australia's annual inflation was a modest 1.8% for the September quarter but did feature strong rises in electricity prices. The Reserve Bank of Australia kept the cash rate on hold at 1.5%.

The Australian dollar (AUD) continues to drift lower against a stronger US dollar. Lower iron ore prices and Australia's subdued retail spending results with mild inflation were the key drivers for the weaker AUD in October.

---

### Important information

This communication is provided by MLC Investments Limited (ABN 30 002 641 661, AFSL 230705) (MLC), a member of the National Australia Bank Limited (ABN 12 004 044 937, AFSL 230 686) group of companies (NAB Group), 105-153 Miller Street, North Sydney 2060.

This information may constitute general advice. It has been prepared without taking account of an investor's objectives, financial situation or needs and because of that an investor should, before acting on the advice, consider the appropriateness of the advice having regard to their personal objectives, financial situation and needs.

You should obtain a Product Disclosure Statement (PDS) relating to the financial product mentioned in this communication issued by MLC Investments Limited, and consider it before making any decision about whether to acquire or continue to hold the product. A copy of the PDS is available upon request by phoning the MLC call centre on 132 652 or on our website at [mlc.com.au](http://mlc.com.au).

An investment in any product referred to in this communication is not a deposit with or liability of, and is not guaranteed by NAB or any of its subsidiaries.

Past performance is not a reliable indicator of future performance. The value of an investment may rise or fall with the changes in the market. The returns specified in this communication are reported before management fees and taxes. Share market returns are all in local currency.

Any opinions expressed in this communication constitute our judgement at the time of issue and are subject to change. We believe that the information contained in this communication is correct and that any estimates, opinions, conclusions or recommendations are reasonably held or made as at the time of compilation. However, no warranty is made as to their accuracy or reliability (which may change without notice) or other information contained in this communication.

This information is directed to and prepared for Australian residents only.

MLC may use the services of NAB Group companies where it makes good business sense to do so and will benefit customers. Amounts paid for these services are always negotiated on an arm's length basis.

**working with  nab**