

For the week ending Friday, 19 May 2017

Quote of the week ¹

“Change is the law of life. Those who look only to the past or present are certain to miss the future”: John F Kennedy (1917 - 1963).

Market summary ²

- The **S&P/ASX200 index** dropped **1.88%** over the week, closing at **5727**.
- The **Aussie Dollar** gained almost a percent against the US, rising **0.95%** to **\$US0.74544**.

Key data ^{3,4}

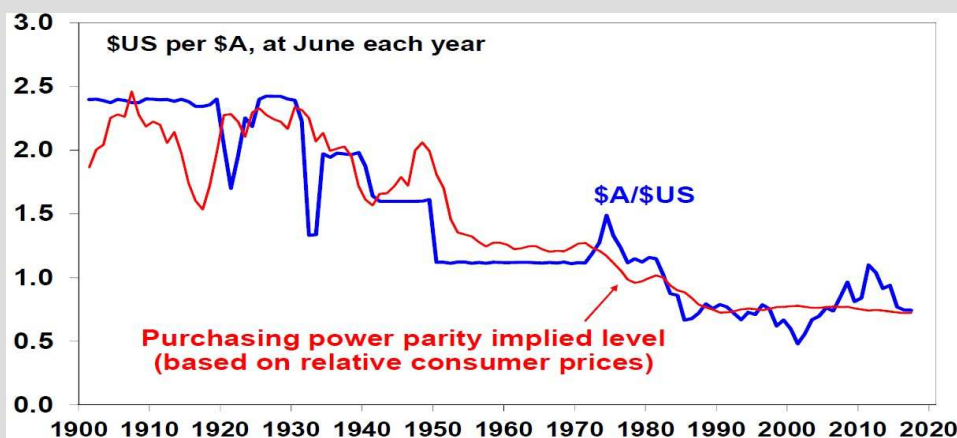
- **ABS** figures show **wage growth** has remained at record lows, with workers receiving an average increase of **0.5%** in the first quarter. Annual wage growth was unchanged at **1.9%**.
- **Inflation** in the **Eurozone** rebounded to **1.9%** in April.
- **Employment** figures for April showed the unemployment rate down 0.2% to **5.7%**, as over **37,000 jobs** were created during the month.

In the News ^{3,4}

- **Origin Energy** has sold the **Darling Downs gas pipeline** in Queensland to Chinese controlled **Jemena** for **\$392 million**.
- **Chevron** has unsurprisingly asked for leave to apply for the **High Court** to hear its appeal in the **\$340 million dispute** with the **ATO**.
- Credit ratings agency **S&P Global Ratings** has lowered the ratings of **23 Australian financial institutions**, citing the risk of a property price correction causing credit losses.

'Eye-opener of the week ⁵

Over the long term, the Australian dollar tends to move in line with price differentials between Australia and other countries. In theory, this means that exchange rates largely reflect internal pressures such as inflation and costs. However, factors such as commodity prices, relative interest rates and investor sentiment mean that the actual exchange rate can fluctuate wildly from what is expected. As shown below, the current level of the AUD/USD exchange rate is quite close to the 'fair' value, however generally spends very little time so close to 'fair'.



Sources

1. brainyquote.com 2. Commsec. 3. Business Spectator 4. Australian Financial Review 5. RBA, ABS, AMP Capital