

A Month in the Markets



AUGUST 2019

Market Overview

During July stock markets moved higher as global central banks signalled a shift to more accommodative monetary policy. In the US, the S&P 500 hit a new all-time high on 26 July 2019 as US shares outperformed other developed markets.

US

The US second-quarter corporate earnings reporting season kicked off with mixed results. US data was mixed, with June retail sales higher than anticipated and industrial production in line with expectations. The Federal Reserve (Fed) cut interest rates for the first time in ten years as the market predicted, however, the market did not take a good stance when Chairman Jerome Powell stated the move was a “mid-cycle adjustment in policy”. Despite the S&P 500 retreating on the back of this statement, the Index ended the month in positive territory of 0.54%.

Asia

China's growth rate slowed to 6.2% year-on-year in the second quarter despite industrial production, retail sales and investment all beating expectations. The Hang Seng Index fell over the month on the back of increased trade tensions and political unrest in Hong Kong. The Bank of Japan left interest rates unchanged but signalled it will respond aggressively to any economic weakness caused by events abroad, leading to a gain in the Yen.

Europe

The European Central Bank (ECB) signalled an openness to future rate cuts as the economic outlook of the Eurozone gets “worse and worse”, according to ECB President Mario Draghi. This comes off the back of the manufacturing recession which has hit Germany particularly hard. The announcement raised



John Mullins
Portfolio Manager

the possibility that benchmark interest rates could be cut as early as September, but the ECB has also said it is looking at other options, including extending their quantitative easing programme to boost the economy.

UK

In the UK, Boris Johnson won the Tory leadership election becoming the leader of the Conservative Party and consequently the Prime Minister of the United Kingdom. The FTSE 100 ended the month up 1.19%, against a backdrop of continued macroeconomic deterioration. June's UK inflation rate was unchanged at +2.0% year-over-year, in line with consensus expectations, as well as with the Bank of England's inflation target. The pound dropped to a two-year low as the possibility of a no-deal Brexit continues to increase, emulating similar volatility to emerging market currencies as Brexit looms.

Gold

Gold has posted its third monthly price gain, as bullion has drawn investors in due to Fed cuts as economic growth slows and geopolitical frictions intensify.



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