

MARKETWRAP

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At a glance

Global stocks gained for a second consecutive month in February after the US government delayed increasing tariffs on Chinese imports and President Trump said the two countries had made "substantial progress" in trade talks, reports showed the US economy was expanding at a brisk pace, and Australia's central bank talked of cutting interest rates to help the slowing economy. Gains were checked as doubts rose over the eurozone economy and the March 29 deadline for the UK's departure from the EU approached with no exit agreement in sight. A decline in the Australian dollar added to the advance for those who have unhedged investments in global equities. During the month, all 11 sectors rose in US-dollar terms. IT (+6.4%) and industrials (+4.7%) rose the most, while real estate (+0.4%) rose the least. The Morgan Stanley Capital International (MSCI) World Index jumped 3.0% in US dollars and added 5.6% in Australian currency.

Australia

Australian stocks rose for a second consecutive month after the Reserve Bank of Australia veered away from a bias towards raising rates to a more neutral stance, companies posted better-than-expected earnings, higher material, mining and oil prices helped relevant stocks, and the Royal Commission into Financial Services made no recommendations that were perceived to harm the banking business model. RBA Governor Philip Lowe triggered a rally in stocks after he said that, while over the past year "the next-move-is-up scenarios were more likely than the next-move-is-down scenarios, today the probabilities appear to be more evenly balanced." Among economic reports, the Westpac-Melbourne Institute of consumer confidence rose 4.3% to 103.8 in February, where 100 is the neutral level, to partly offset the news that retail sales fell 0.4% in December and housing slumped further. The NAB gauge of business confidence rose 1 point to +4 in January, while the jobless rate held steady at 5.0%. The S&P 200 Accumulation Index jumped 6.0%.

US

US stocks staged a second monthly gain after President Trump said trade talks with China had progressed enough for him to meet Chinese President Xi Jinping to "conclude an agreement" that would ease friction between the two countries. In economic news, a report showed the US economy expanded at a higher-than-expected annualised pace of 2.6% in the fourth quarter. The economy added 304,000 jobs in January, to exceed the monthly gain of 223,000 jobs in 2018. The Conference Board's index of consumer confidence gained 9.7 points to 131.4 in February. Minutes from the Federal Reserve's policy-setting board meeting in January showed the majority of board members thought that later this year would be best to stop shrinking the central bank's balance sheet that was bloated by quantitative easing. The S&P 500 Index added 3.0%, following on from January's gain of 8.0% that was its biggest monthly gain since October 2015.

Europe

European stocks rose for the second consecutive month due to the better outlook for US and Chinese relations, even though evidence is mounting that the eurozone economy is fragile and the UK's impending scheduled departure from the EU created more political ructions there. In economic reports, the first reading on GDP showed the eurozone economy only grew 0.2% in the fourth quarter, which meant that the economy only expanded 1.8% in 2018. Other reports showed retail sales sagged 1.6% in December while industrial production slid 0.9% the same month. In the UK, MPs quit the Labour and Conservative parties to cast doubt on what Brexit proposals might gain a majority in any parliamentary vote. The Euro Stoxx 50 Index gained 4.4%.

Asia and emerging markets

In Asia, Japanese stocks rose after a report showed Japan's economy returned to growth in the fourth quarter, when it expanded at an annualised rate of 1.4%. Chinese stocks surged on the apparent trade truce with the US (and on talk the MSCI China Index would hold a greater weighting in world indices). Japan's Nikkei 225 Index rose 2.9%. China's CSI 300 Index soared 14.6%. The MSCI Emerging Markets Index was little changed, adding just 0.1%.

Movement in benchmark indices are in local currency unless stated otherwise. As is common practice, all indices mentioned are price indices apart from the MSCI indices and the S&P 200 Accumulation Index.

Sources: J.P. Morgan, FactSet, The Financial Times, Bloomberg and national statistical including the Australian Bureau of Statistics, Eurostat, the US Department of Commerce and the US Department of Labor.

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