



BLACK OAK

FAMILY OFFICE

Economic Review – August 2019

August has been a volatile month for financial markets, with the volatility index (VIX) averaging 19, compared to 13 in July. Global stock markets declined while safe haven assets such as bonds and gold outperformed amid escalating worries over the trade conflict between US and China, emphasizing the overall uncertainty.

- After hitting a new all-time high end of July, the S&P 500 index dropped up to 6% in August, as economic and political issues have shifted investors sentiment from optimism to pessimism. The US 10-year government bond yield dropped below the yield of the 2-year government bond for the first time since the 2008 financial crisis, magnifying concerns that the economy may be heading into recession.
- Shares in the Eurozone ended lower in August. Headlines were dominated by weak economic data from Germany and increasing political uncertainties.
- Stocks in Emerging markets declined as trade tensions between the US and China have escalated to new levels. Countries most sensitive to the US dollar strength came under pressure, including Turkey, South Africa but also Argentina where a surprise result in primary election sent the country's currency and stocks plunging.
- Global bonds yields continued to decrease, increasing the total market value of negative yielding debt to over 16 trillion (according to the Bloomberg Barclays Global Aggregate Index). Bond's price with positive real yields rallied, including the US 30-year government bond, whose yields declined below 2% and the 10-year US Treasuries, whose yields fell 35 basis point and closed the month at 1.50%.