BLACK OAK

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Economic Review – October 2019

Global equities in October saw gains amid several positive catalysts including progress on a US-China trade deal, supportive central banks as well as optimistic corporate results. This favorable environment helped ease concerns of global economic growth slowdown.

- The US equity market ended the month in positive territory after the Fed lowered interest rates by 25 basis points, its third cut this year. With 80% of companies in the S&P500 having exceeded profits expectations, earnings seasons provided further support to the US equity market. Health care and technology were the best performing sectors over the month.

- European shares made modest gains in October as investor confidence was underpinned by alleviating US-China trade tensions, talk of increased government spending in Europe and declining probability of a no-deal Brexit. Furthermore, GDP growth data for Q3 defied recession worries, with the eurozone economy expanding by 0.2% quarter-on-quarter. Consumer discretionary, industrials and materials were among the top gaining sectors, supported by hopes of an improving trade picture. By contrast, defensive sectors such as consumer staples and utilities were weak during the month.

- It was a strong month overall for emerging equity markets with all the regions recording gains, benefiting from a growing risk appetite. Asia led the advance, followed closely by Latin America. In terms of country performance, Hungary, Taiwan and Russia came top. However, while most equity markets advanced higher there were some exceptions, most notably Turkey, Chile and Saudi Arabia. All sectors in emerging markets finished in positive territory, apart from communication services, with healthcare, technology and energy enjoying the best gains.

- Bond markets were generally weaker during October. Bonds declined over the month, as yields rose, reflecting a better mood in markets and increased appetite for riskier assets. Corporate bonds produced positive returns and outperformed government bonds, which saw the biggest increase in yields (i.e. the biggest decline in prices).