BLACK OAK

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Economic Review – September 2019

After a difficult summer for financial markets, investors returned from their holidays in a bullish mood and drove equities higher in September, leaving global equities broadly flat for the quarter. The quarter was marked by a continued slowdown in the global economic data, offset by further monetary easing from the US and Europe.

- September proved to be a resilient month for global equity markets. Escalating trade-war tensions between the US and China, impeachment charges against President Trump, Brexit uncertainty in the UK and political instability in Europe (particularly in Italy), were not enough to dampen investor sentiment as further monetary stimulus by key central banks supported the markets.

- European stocks advanced higher during September as investors adopted a more 'risk-on' stance following some easing of US-China trade conflict and Mario Draghi, President of the European Central Bank (ECB), announced a fresh wave of stimulus measures to support the economy. These included measures to reduce interest rates, restart a bond-buying program and slightly increasing the cost to banks of depositing their reserves in the ECB itself.

- Emerging equity markets ended the month higher, with all regions registering gains. Latin America was the best performer, followed by Asia. Country wise, Turkey, Pakistan and Argentina came top with technology, energy and industrials being favored as sectors. Renewed US-China trade talks supported sentiment towards technology stocks, while Energy companies benefited from a spike in oil prices following a drone attack at the world's largest crude production site in Saudi Arabia. Gold prices also slowed down in September after their strong rally in August.

- September was a more challenging month for fixed income markets with several sectors recording their first negative monthly return of the year so far. Rise in government bond yields, which were driven by easing trade tensions and signs of the global economy improving.