



BLACK OAK

FAMILY OFFICE

Economic Review – December 2019

Global equities markets enjoyed a Christmas rally for the last month of the year as global trade outlook improved, policies from central banks remained supportive and investors took the view that ultra-low interest rates would remain on hold throughout 2020.

- The US equity market had a strong performance, reaching new all-time highs and wrapping up one of the best years of the past decade. Trade uncertainty faded with the US and China's "phase one" trade deal announcement and boosted confidence of investors. Better-than-expected economic data also provided support. Gains were led by energy and tech stocks. Saudi Aramco oil-processing facilities were attacked by drones, sparking fears of supply shortages, which pushed energy stocks higher. Tech stocks on their side continued their rally into the year end, led by giants Amazon and Apple.
- Eurozone equities notched up a strong advance as well in December. Investors responded positively to the Phase One trade deal and Convincing UK general election victory for the incumbent Conservative Party. The Ifo business climate indicator, which measures confidence among German executives, improved to 96.3 in December from 95.1 in November. December's eurozone Composite PMI reading also improved slightly to 50.9 (50.6 in November). These positive economic developments were well received by investors. Financials, energy and materials made the largest gains at a stock level. At the other end, communication services and consumer staples were the biggest laggards against the broader market.
- Emerging equity markets also registered broad gains in December, benefiting from an easing in geopolitical concerns, higher commodity prices, a weaker US dollar and lower interest rates (the were cut in Brazil, Mexico, Russia and Brazil). Equity markets in Latin America led the advance with EMEA (Europe, Middle East and Africa) and Asia also enjoying healthy gains. All sectors in emerging markets rose in value with information technology and real estate being the strongest performers.
- If December brought cheer to financial markets, bond investors returns were more mixed. Rising government bond yields were a headwind for corporate bond markets. High yield and the financial sector were the best performing areas of the bond market.