

Market Wrap

March 2019

At a glance

Global stocks rose for a third consecutive month in March after central banks indicated they are willing to accommodate economic growth, the EU agreed to postpone the date of the UK's departure, and China promised to stimulate its economy. Gains were checked as doubts rose over the global economy. A dip in the Australian dollar boosted returns for those who have unhedged investments in global equities. During the month, nine of the 11 sectors rose in US-dollar terms. Real estate (+4.7%) rose most as bond yields fell on the gloomy global outlook, while financials (-2.3%) fell the most as lower interest rates reduce margins. The Morgan Stanley Capital International (MSCI) World Index added 1.3% in US dollars and 1.5% in Australian currency.

Australia

Australian stocks rose for a third consecutive month after iron ore prices rose on tighter supply after a mining mishap in Brazil and China's leaders indicated they would take steps to make economic growth more sustainable. The decline in house prices and signs of a slowing economy meant that gains were limited. Economic reports out in March showed the economy only expanded 0.2% in the fourth quarter and retail sales only rose 0.1% in January. The Westpac-Melbourne Institute's index of consumer sentiment slid to an 18-month low of 98.8 in March from 103.8 in February, where 100 is the neutral level. CoreLogic's home value index showed Melbourne prices, down 4%, fell at the fastest rate ever recorded over the three months to February, as the aggregate for the five capital cities lost 3.5% over the period. As expected, the RBA's policy-setting board kept the cash rate at the 1.5% on which it has sat since August 2016. The S&P/ASX 200 Accumulation Index rose 0.7%.

US

US stocks recorded a third monthly gain after the Federal Reserve signaled monetary policy would stay loose when it left its key policy rate unchanged at 2.25% to 2.5% at its policy-setting meeting. Among other outcomes, the majority of policy-setters thought the US cash rate was likely to remain unchanged this

year, in contrast to December when they expected the key rate could be raised up to three times in 2019, the Fed cut its forecast for US growth and said it would stop offloading its bond holdings by September. In other economic news, US growth for the fourth quarter was revised down to an annualised pace of 2.2% compared with an initial reading of 2.6%. The Fed's preferred inflation gauge, the price index for personal-consumption expenditure, rose only 1.4% in the 12 months to January, the slowest 12-month increase since September 2016. In political news, the investigation into Russian interference in the 2016 election headed by Special Counsel Mueller found that President Trump had not colluded with Russia's meddling during the campaign, according to a synopsis that Attorney-General Barr sent congress. The S&P 500 Index rose 1.8%.

Europe

European stocks rose for a third consecutive month after the European Central Bank indicated it could aid the economy if needed – ECB President Mario Draghi said: "We are not short of instruments to deliver on our mandate" – and the central bank announced new cheap loans for banks. Another boost came when the EU granted the UK more time to work through its divorce from the EU. Economic reports showed the eurozone economy is tepid. A key report showed the eurozone economy only grew 0.2% in the fourth quarter, meaning the euro area expanded 1.8% in 2018. Another report showed the euro area recorded inflation of 1.5% in the 12 months to February 2019. The Euro Stoxx 50 Index rose 1.6%.

Asia and emerging markets

In Asia, Japanese stocks eased on concerns a slowing global economy would hurt exports. Chinese stocks jumped as trade tensions eased and on talk of economic stimulus, even as the government report to the National People's Congress reduced the official growth target for 2019 to a range of 6.0% to 6.5% from 6.5% previously and factory-output growth slowed to its weakest on record. Japan's Nikkei 225 Index fell 0.8%. China's CSI 300 Index surged 5.5%. The MSCI Emerging Markets Index rose 0.7%.

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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If you have any questions, please speak to your Count Financial Adviser.

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