

MARKETWRAP

April 2019

At a glance

Global stocks rose for a fourth consecutive month in April after US companies on average reported better-than-expected earnings for the March quarter, a report showed US economic growth accelerated in the first three months of 2019, and China's performance over the same period quelled concerns about its economy. A drop in the Australian dollar lifted returns for those who have unhedged investments in global equities. During the month, eight of the 11 sectors rose in US-dollar terms. Financials (+7.2%) rose the most while healthcare (-2.6%) fell the most. The Morgan Stanley Capital International (MSCI) World Index rose 3.6% in US dollars and 4.5% in Australian currency.

Australia

Australian stocks rose for a fourth consecutive month after a report showing no inflation over the March quarter fanned talk the Reserve Bank of Australia would cut the cash rate to another record low, and the Federal Government delivered a budget that forecast a surplus in fiscal 2019-20. The surplus was flagged in a budget that was delivered earlier than usual, so that Prime Minister Scott Morrison could call an election on 18 May. As expected, the RBA's policy-setting board kept the cash rate at the 1.5% on which it has sat since August 2016. In other economic news, retail sales rose 0.8% in February, their biggest gain in 15 months, and the jobless rate ticked up 0.1 percentage point to 5% for the same month. The S&P/ASX 200 Accumulation Index added 2.4%.

US

US stocks recorded a fourth monthly gain as companies enjoyed the returns from a healthy economy. Financial research and data company FactSet said that 77% of companies that had reported earnings by 26 April announced earnings per share above mean estimates, an outcome above the five-year average. In news on the economy, a report showed the US economy expanded at a faster-than-expected annualised pace of

3.2% in the first quarter, up from 2.2% in the last quarter of 2018. A Federal Reserve-favoured inflation gauge, the personal consumption expenditures price index excluding food and energy, fell to 1.6% in the 12 months to March. That this outcome was well below the central bank's goal of 2% boosted confidence that the Fed wouldn't tighten monetary policy in the foreseeable future. The S&P 500 Index jumped 3.9%.

Europe

European stocks rose for a fourth consecutive month as uncertainty surrounding the UK's departure from the EU was eased temporarily and Spain's Socialist Party won the country's general election. European leaders ended some uncertainty over Brexit by extending the departure deadline to 31 October. Spain's incumbent Socialist Party won the most seats in the country's third election in four years but still must form a coalition to govern while a significant right-wing party, namely Vox, won seats for the first time since Spanish right-wing dictator Francisco Franco died in 1975. In economic news, a report showed the eurozone grew 0.4% in the first quarter, its best performance in three quarters, to give a 12-month rate of 1.2%. Another showed consumer prices rose only 1.4% in the 12 months to March. Concerns about the economic outlook for Germany grew after the country's official growth forecast for 2019 was reduced to 0.5% from 1.8% a few months earlier. The Euro Stoxx 50 Index rose 4.9%.

Asia and emerging markets

In Asia, Japanese stocks rose as the central Bank of Japan said it would keep interest rates "extremely low" well into 2020. Chinese stocks gained after a report showed economic growth over the first quarter unexpectedly maintained the 6.4% annual growth pace it set in the last quarter of 2018. Japan's Nikkei 225 Index climbed 5.0%. China's CSI 300 Index rose 1.1%. The MSCI Emerging Markets Index added 2.0%.

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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