

Global Market Update

February 26, 2019 Global Market Day

US stocks down slightly while the pound rallies on Brexit developments

United States

US stocks closed slightly lower Tuesday, with the Dow, S&P, and Nasdaq all down 0.1 percent. Volumes were relatively low. AT&T posted modest gains after a federal appeals court upheld an earlier court decision that its acquisition of Time Warner would be unlikely to harm competition. AT&T has been subjected to restrictions that would allow the merger to be reversed if it had lost the appeal, but it now appears these restrictions can be lifted when they expire at the end of the month. Home Depot fell after it provided guidance that adverse weather conditions would likely weigh on first-quarter performance.

Federal Reserve Chairman Jerome Powell appeared before the Senate Banking Committee Tuesday, with his comments in line with previous statements. In particular, he characterised current economic conditions as “healthy” and the outlook “favourable” but also noted that the impact of slower global growth and recent volatility in financial markets suggested that officials should be patient about changing policy settings. He also noted that officials will soon evaluate the appropriate timing and approach for ending the runoff of the Federal Reserve’s asset portfolio.

The US data calendar was busy Tuesday. The Conference Board’s measure of consumer confidence showed a sharp rebound in February after the government shutdown had depressed sentiment in January, with the main index increasing from 121.7 to 131.4. This follows three consecutive falls in the index and is the biggest one-month increase since mid-2015. The Redbook survey of retail sales showed relatively strong year-on-year growth in the week of February 23 but below that recorded around the turn of the year, while the Richmond Fed’s manufacturing survey showed a solid improvement in conditions in February.

Housing data were generally subdued and suggest that momentum in the sector is weak heading into 2019. Housing starts fell 11.2 percent on the month in December with the level falling to its lowest since September 2016, suggesting that GDP data scheduled for later in the week will show subdued residential investment in the three months to December. Housing permits, however, increased 0.3 percent on the month. The Federal Housing Finance Agency’s house price index increased 5.6 percent on the year in December, down from 5.9 percent in November and the slowest growth since February 2016, while year-on-year growth in the Case-Shiller 20-city house price index fell from 4.7 percent in November to 4.2 percent in December, its lowest level since December 2014.

These data reflect observations at 4:00 PM US ET. Gold advanced US\$1.70 to US\$1,331.20 while dated Brent spot crude rose US\$0.62 to US\$65.38. The US dollar weakened moderately against most major currencies while the pound rallied strongly on indications that Brexit uncertainty may be resolved soon. The yield on the US Treasury 30 year bond fell 3 basis points to 3.01 percent while the 10 year note fell 3 basis points to 2.64 percent.

Europe

European markets were mixed Tuesday. The FTSE underperformed, closing down 0.5 percent, while the CAC advanced 0.1 percent and the DAX rose 0.3 percent. The fall in the FTSE partly reflected a drop in IAG, the owner of British Airways, after index-provider MSCI said it would remove the share from global indices because of restrictions on foreign ownership. IAG has capped non-European ownership of its shares at the current level of 47.5 percent as part of efforts to retain its status as a domestic European airline post-Brexit, but this restriction breaches the MSCI’s policies for inclusion in its indices.

The pound advanced Tuesday after UK Prime Minister Theresa May provided more details about the options that will be presented to parliament ahead of the scheduled withdrawal from the European Union on March 29. With negotiations between the UK and the EU still ongoing, she

reaffirmed her commitment to provide a revised Brexit deal for parliament to consider by March 12. If that deal is rejected, parliament will be asked to vote on whether it wants the UK to withdraw on the scheduled date without a deal in place. If this no-deal option is rejected, parliament will then have a vote by March 14 on whether to seek to delay withdrawal beyond March 29.

The European data calendar was light Tuesday. The GfK survey of German consumer confidence showed a small improvement in headline sentiment in February, though there were mixed results for the various components with respondents relatively positive about income and job prospects but gloomier about the broader economic outlook and their spending plans.

Asia Pacific

Most Asian markets sold off Tuesday after they had posted strong gains on Monday. The Shanghai Composite index and India's Sensex index both fell 0.7 percent, while Japan's Nikkei and Topix indices closed down 0.4 percent and 0.2 percent respectively. Australia's All Ordinaries index underperformed, closing down 0.9 percent, with lower commodity prices weighing on sentiment.

Singapore data showed industrial production fell 3.1 percent on the year in January, broadly in line with both PMI survey and trade data also indicating weaker conditions at the start of the year. Hong Kong data showed a smaller drop in exports and a smaller trade deficit in January, though officials cautioned that the timing of lunar new year holidays likely had a significant impact on the data.

Global Stock Market Recap

Index	End 2018	2019		Daily change	Percent Change		
		Feb 25	Feb 26		Day	Year End	
North America							
United States	Dow	23327.5	26091.95	26057.98	-33.97	-0.1%	11.7%
	NASDAQ	6635.3	7554.46	7549.30	-5.16	-0.1%	13.8%
	S&P 500	2506.9	2796.11	2793.90	-2.21	-0.1%	11.5%
Canada	S&P/TSX Composite	14322.9	16057.03	16067.91	10.88	0.1%	12.2%
Europe							
Britain	FTSE 100	6728.1	7183.74	7151.12	-32.62	-0.5%	6.3%
France	CAC	4730.7	5231.85	5238.72	6.87	0.1%	10.7%
Germany	XETRA DAX	10559.0	11505.39	11540.79	35.40	0.3%	9.3%
Italy	MIB	18324.0	20436.96	20459.59	22.63	0.1%	11.7%
Spain	Ibex 35	8539.9	9204.30	9227.20	22.90	0.2%	8.0%
Sweden	OMX Stockholm 30	1408.7	1586.55	1583.95	-2.60	-0.2%	12.4%
Switzerland	SMI	8429.3	9398.37	9461.21	62.84	0.7%	12.2%
Asia/Pacific							
Australia	All Ordinaries	5709.4	6263.57	6209.04	-54.53	-0.9%	8.8%
Japan	Nikkei 225	20014.8	21528.23	21449.39	531.04	2.6%	4.2%
	Topix	1494.09	1620.87	1617.20	33.20	2.2%	5.3%
Hong Kong	Hang Seng	25845.7	28959.30	28772.06	-187.24	-0.6%	11.3%
S. Korea	Kospi	2041.0	2232.56	2226.60	-5.96	-0.3%	9.1%
Singapore	STI	3068.8	3272.35	3261.66	-10.69	-0.3%	6.3%
China	Shanghai Composite	2493.9	2961.28	2941.52	-19.76	-0.7%	17.9%
Taiwan	TAIEX	9727.41	10390.93	10391.55	0.62	0.0%	6.8%
India	Sensex 30	36068.3	36213.38	35973.71	-239.67	-0.7%	-0.3%

Data Source — Haver Analytics

Global Bond Market Recap

10-Yr Govt Bonds	Closing Yield	Change Yield (bp)
US	2.64%	-3
UK	1.20%	3
Germany	0.12%	1
Japan	-0.04%	1
Australia	2.09%	1

Source — Bloomberg

Global Currency Recap

Currency	25-Feb	26-Feb	Change (%)
Japanese yen	111.03	110.57	0.4%
Australian dollar	0.7171	0.7188	0.2%
Yuan	6.6891	6.7002	-0.2%
Euro	1.1361	1.1391	0.3%
British pound	1.3101	1.3256	1.2%
Swiss franc	1.0003	0.9998	0.1%
Canadian dollar	0.7582	0.7592	0.1%

Source — Bloomberg

Looking ahead*

The Asian and European data calendars are light Wednesday, with Hong Kong GDP and Eurozone Economic Sentiment the main highlights. In the US, mortgage applications, international trade, factory orders, retail and wholesale inventories, pending home sales, and investor confidence data are all scheduled for release, as are Canadian CPI data.

*Note — all releases are listed in local time.

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