

Tom McCabe, Global Investment Strategist with Bank of Ireland Investment Markets shares his view on stock market performance over Q1 2019.

Quarterly Overview – Q1 2019

After collapsing in Q4 2018, world stock markets rebounded sharply in Q1 2019 as investor concerns around US-China trade and US interest rates eased significantly.

- Most investment markets rebounded impressively in Q1 from their Q4 2018 losses.
- President Trump's extension of the March 1 deadline for Chinese trade talks together with reports progress in the talks boosted investor sentiment in the quarter.
- The US Federal Reserve (Fed) also signalled that it would not increase interest rates this year compared with previous expectations for two increases - much to the relief of both bond and equity investors.
- Corporate profits grew strongly again in Q4, capping a great 2018 performance where global profits increased by 14% helped by the big US tax cut
- Geopolitics remained a familiar theme in Q1 thanks to Brexit and the US government shutdown.

- With the exception of volatility in Sterling, investment markets were completely unmoved by the first quarter drama revolving around Brexit.
- We believe investors have a lot of optimism that a US-China trade deal will be done and that interest rates will stay low this year.
- Assuming no negative surprises on trade and interest rates, investors' focus should turn back on the economy and corporate profits for the rest of the year.
- The global economy has started the year on a soft note but we are optimistic conditions will improve as the year wears on.
- Similarly, profits are forecast to grow more modestly in 2019 (+5% globally) with a big improvement pencilled in for Q4.

Upcoming key events

- Q1 2019 earnings season will be watched closely by investors.
- The next interest rate decisions for the US Fed and ECB are scheduled for May 1st and 6th June respectively.
- Recent comments from the White House have suggested that a US trade deal with China could be completed by May – investors will be keenly watching out for updates on the negotiations.
- European Parliament Elections are scheduled for late May (23-26th) – what will interest investors most is the composition of the new Parliament and whether populist parties make any further inroads in the election.
- The next OPEC meeting is set for 26th June
- The next G20 summit will be held on 28-29th of June
- Ongoing Brexit negotiations

Bonds in brief...

Bond markets were positive across the board in Q1 2019. Government bonds were helped by the softer tone to global economic data in the early part of the year and by the change in the Federal Reserve's outlook for US interest rates. In addition to the lower sovereign yields, the strong Q1 performance from equities and a pullback in credit spreads from recent highs also helped corporate and emerging market bonds outperform.

Indices/Stock Markets as at 29 March 2019

	1 Month Change	3 Month Change	12 Month Change
S&P 500 Index	1.8%	13.1%	7.3%
Nasdaq	2.6%	16.5%	9.4%
FTSE 100	2.9%	8.2%	3.2%
Eurostoxx 50	1.6%	11.7%	-0.3%
Topix	-1.0%	6.5%	-7.3%

Source: Investment Markets, April 2019

Warning: The value of your investment may go down as well as up. Warning: Past performance is not a reliable guide to future performance.

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