



## Market and Economic Review October 2019

For much of September geopolitical uncertainty was front of mind for investors and markets. Usually this results in significant volatility, however last month markets remained surprisingly resilient in the face of geopolitical issues and the accompanying barrage of headlines. Most of Milford's funds ended the month with a moderately positive return.

In September investors were occupied with a number of significant, market moving events:

- Attacks on Saudi Arabian oil production facilities, which temporarily sent oil prices almost 15% higher
- Hopes for US-China trade progress rose and fell through the month numerous times on running commentary from both nations
- Pro-democracy protesters in Hong Kong continued to agitate for change, increasing risks for the local economy
- In the UK, Boris Johnson attempted to circumvent parliament to deliver Brexit, only for the High Court to rule his prorogue illegal, ensuring the pathway ahead for the UK remained unclear
- In the US, the Democrat Party began moves to impeach President Trump over allegations he coerced the President of the Ukraine to investigate a potential rival for the 2020 election.

Despite this significant background noise, by month end global share markets (MSCI World Net Total Return Index) were up by 2.3%, New Zealand's NZX 50 Gross Index was up 1.6% and the Australian ASX 200 Index up by 1.8%.

The global economy continues to slow, driven by a business sector faced with the same uncertainties as investors. Interest rates also remain low and central banks are doing their utmost to support local economies – the US had a 0.25% rate cut and the European Central Bank delivered a sweeping package of monetary easing during the month. However, until the fog of uncertainty is lifted the broad outlook for share markets is likely to be muted. Nonetheless, an outlook of slow economic growth, coupled with low interest rates still provides a reasonable investment backdrop.

With an uncertain macro environment, our attention remains focussed on stock selection within the funds. October heralds quarterly earnings releases from US companies, which will be instructive in detailing how the trade war has impacted company profits. More importantly, the outlook for growth in profits will be key in driving investor appetite for shares going forward.