
Market Review

November 13, 2019

Market Commentary

The strength in stock markets reflect the expectation that a phase-one US/China trade deal accompanied by a phased tariff rollback will be forthcoming. Recent U.S. economic data has been encouraging with an ongoing resilient U.S. employment situation, a rebound in the services economy and early signs of stabilization in the manufacturing sector. Recession fears have also abated with the steepening of the U.S. Treasury yield curve.

Corporate profits in the third quarter of this year have been stronger than consensus expectations with earnings per share (EPS) for the S&P 500 companies coming in marginally up year-over-year. Forward earnings guidance suggests this past quarter marks the trough in the rate of earnings growth.

The U.S. Federal Reserve has now cut interest rates three times, demonstrating policy flexibility to all matters that may impact its objectives of maximum employment and stable prices for goods and services. Accommodative monetary policy by central banks globally is supportive for equities.

Going forward, concrete details on a negotiated trade deal as well as confirmation from hard data that global economic growth prospects are improving is required for equities to continue to appreciate.