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December 2019 Market Wrap

Thursday 2 January 2020

Happy New Year.

Stocks around the world closed out one of their best years over the past decade, defying press, money managers who began 2019 expecting the bull market to be upended by threats from the US – China trade fight and a slowdown in growth.

Just 12 months ago, the mood was far dimmer. The global economy was weakening, stocks bonds and commodities were falling in tandem. Then came worldwide central bank easing to provide support to the economy and markets.

Fast forward to the final day of the decade and stock indexes from US to China, and Germany are up more than 20% apiece for the year. While prior runs have been met by scepticism, this time, few see the rally ending soon.

The Dow Jones Industrial Average's more than 170% rise from 2010 to 2020 ranks as just the fourth-best decade long performance in the past 100 years—a gain that, while respectable, doesn't conjure the fear of excess that rallies in the 80s and 90s did. Many investment banks are forecasting solid, if modest gains for the coming year, citing major central banks' easy-money policies, a resilient U.S. economy and a breakthrough in trade talks between Washington and Beijing.

The Australian dollar continues to trade in the bottom of the past few months range. Australia has lost its attraction as a high yielding currency with better yield opportunities in the US market. The Reserve Bank will be very comfortable with the lower currency as they are trying to import growth. This will be key for the Reserve Bank on to keep any further rate cuts on hold. They will continue to watch data, if they move it would be in February if the data is poor (higher unemployment).

There are a number of uncertainties that investors say they will be watching: the U.S. and China haven't completed a trade deal yet, the U.K. is set to leave the European Union at the end of January and President Trump faces re-election next November.

The global economy has also cooled, with factory activity in particular taking a hit around the world this year.

But the level of anxiety that investors say they have about each of these threats seems far more subdued than was the case a year ago.

Australia saw the currency break out of the bottom of the range and push to 0.7000 cents. The RBA will not like this move as it will be viewed as a rate hike.

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Summary of Major share indices

Index	1 Month	52 Weeks	YTD
DJIA	+3.77%	+22.34%	+22.34%
Nasdaq	+5.30%	+35.23%	+35.23%
S&P 500	+4.45%	+23.72%	+23.72%
Russel 2000	+4.11%	+6.50%	+20.46%
Europe 600 Index	+4.36%	+23.16%	+23.16%
UK FTSE 100 Index	+5.36%	+12.10	+12.10%
Hong Kong Hang Seng	+6.81%	+9.07%	+9.07%
Japan Nikkei 225	+0.54%	+18.20%	+18.02%
China Shanghai Composite	+5.73%	+22.30%	+22.30%
ASX 200 (Australia)	-2.17%	+23.40%	+18.38%

Australian Dollar

	Close	52 week Range
AUD	0.7016%	0.6671-0.7296%

Government Bonds

	Close	52 week Range
US 3 Month	1.554%	1.502-2.487%
US 10 Years	1.920%	1.431 – 2.796%
US 30 Years	2.391%	1.903 - 3.136%
Australia 10 years	1.385%	0.864-2.370%

Source: Wall Street Journal.