

March 2017

Market Bulletin

Carl Summers Financial Services



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This month's update comes to you from BNY Mellon, manager of the Omnis US Equity Fund and Omnis Multi-Asset Income Fund.

A rising tide of positive economic data and resilient consumer spending buoyed the world's stock markets in February.

As in previous months the US led the way, riding a wave of Trumpian optimism as investors looked to a new economic deal to improve the prospects for everything from financial services to basic materials pricing.

North America: a new peak for US shares

US stocks maintained their skywards trajectory, scaling new highs as investors banked on President Trump's promises of lower regulation and taxes and increased spending on infrastructure and defence. A well-received speech to Congress, in which the new president struck a conciliatory tone, fuelled the climb – as did comments from the Federal Reserve highlighting the strength of the US economy and the prospect of future rate rises.

Sector returns offered a more nuanced view, however. Whereas previous months' gains were led by cyclical sectors, in February it was the more defensive sectors – including healthcare and utilities – that shone.

Europe: positive data; political uncertainties

In Europe, elections were the name of the game with Dutch and French voters calling the mood music.

In France, improved polling for Front National presidential candidate Marine Le Pen increased fears of an EU 'Frexit' and this bled into bond market sentiment: five-year yields rose and there was an up-tick in demand for credit default swaps on French government bonds. In the Netherlands, early polling ahead of the 15 March general election

raised the prospect of Geert Wilders' anti-Islam, anti-EU Party for Freedom (PVV) emerging as the country's largest party.

Meanwhile, the question of a renewed Greek bailout bubbled away in the background, with the International Monetary Fund (IMF) highlighting the need for further reforms and the prospect of further debt relief.

Balancing these uncertainties were positive economic data for the eurozone, indicating progress towards the sunny uplands of a sustained recovery.

In the UK, the House of Lords rejected the government's Brexit bill, arguing among other things for stronger protections for EU nationals currently living in the UK. The UK inflation rate edged up to 1.8% – its highest point in over two years.

Asia PAC: a mixed picture

Japanese equities eased into the black in February following steady economic data showing export-driven annualised GDP growth of 1.2% for Q4 2016, the fourth consecutive positive result. Also positive was February's manufacturing Purchasing Managers' Index (PMI) reading which rose to 53.5 to register the sixth consecutive expansion in the sector and the strongest since March 2014. On the negative side of the ledger were data showing a 1.2% decline in household spending and a slight decline in consumer confidence numbers.



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Commodities: oil price equilibrium

West Texas Intermediate (a proxy for global oil pricing) finished the month on US\$54.01 a barrel, marginally above its US\$52.81 opening price as traders awaited US crude inventory data. The Organization of the Petroleum Exporting Countries (OPEC), along with some non-OPEC members, agreed at the start of the year to cut back production by some 1.8 million barrels a day – and February reports suggested Russia was achieving a 117,000 barrel reduction from previous the month's output. A rise in the US rig count or an increase in drilling from North American shale producers could offset the OPEC cuts and push prices higher, according to end-of-the-month reports.

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