Monthly Global Market Commentary
February 4, 2020

Plague Inc – 02/03/20
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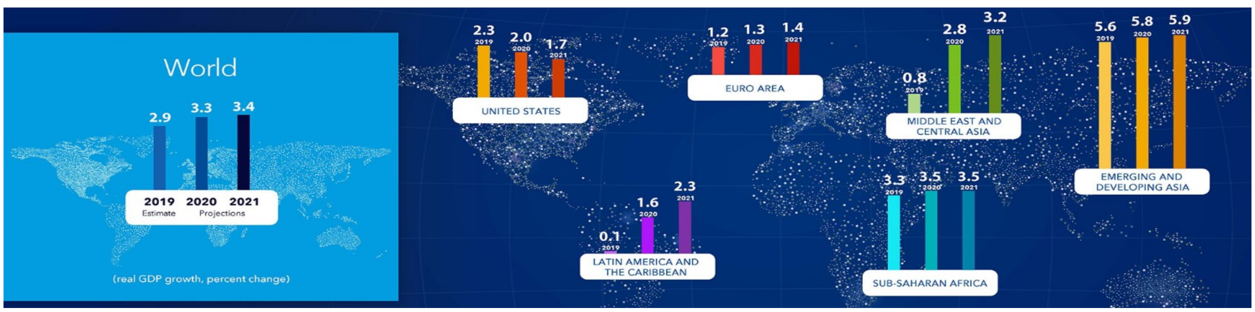
Global markets fell last week as the Corona Virus proved to be more severe than expected. The MSCI World Index fell -2.19% while the S&P 500 lost -2.10%.

Impeachment Trial

The likelihood of President Trump being acquitted rose sharply after moderate Republicans elected to bypass calling new witnesses in the Senate trial. The vote to call witnesses failed on a 49-51 vote. Key swing votes appeared to be open to hearing witnesses initially after John Bolton made claims that the President Trump directed aids to assist in the pressure campaign designed to make Ukraine announce investigations into Presidential front runner Joe Biden. The House Committee's Adam Schiff's erroneous statement that voting "against the president and your head will be on a pike" appeared to strengthen Republicans concerns that this was a partisan process.

Coronavirus

An unexpected uptick in the Coronavirus infection and mortality rates caused a mild panic in the markets over the past two weeks. Economic concerns centered on the virus' impact on Chinese domestic growth. China has a disproportionately large share of global growth. Reports that the slowdown would reduce growth from around 6% to 2% would affect the International Monetary Fund projections of an economic growth recovery in 2020.



Source: https://blogs.imf.org/2020/01/20/tentative-stabilization-sluggish-recovery/

The World Health Organization declared a Global Health Emergency on January 30th. The measure was largely symbolic as information was already being shared between governments and robust international steps to contain the spread of the virus were already underway. The Treasury Yield curve inverted on fears of the outbreak.

A spot of good news occurred over the weekend as Thailand reported that a cocktail of antiviral drugs was effective in clearing a handful of the infected.

Earnings Season

With roughly half of the S&P 500 companies reporting earnings, the 4th quarter of 2019 is looking broadly positive. Earnings growth was broadly positive, with the basic materials and oil & gas sectors being the only exceptions.

S&P 500 INDEX — Range CQ4 Ending: 11/16/2019 - 2/15/202

Surprise | Growth

Industry (ICB)	Reported	Sales Surprise	Earnings Surprise
11) All Securities	226 / 500	1.04%	5.39%
12) > Oil & Gas	10 / 28	2.00%	8.00%
13) > Basic Materials	11 / 19	0.17%	-0.62%
14) > Industrials	49 / 89	-0.74%	3.62%
15) > Consumer Goods	26 / 58	0.52%	7.36%
16) > Health Care	23 / 52	0.70%	2.62%
17) > Consumer Services	23 / 66	0.43%	12.81%
18) > Telecommunications	2 / 4	0.02%	0.84%
19) > Utilities	4 / 28	-5.24%	0.33%
20) > Financials	57 / 101	2.81%	2.09%
21) > Technology	21 / 55	2.92%	8.97%

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Stock Market Performance

	2/4/20	W-o-W	M-o-M	Y-o-Y
DJIA	28,454	-0.3%	-0.6%	13.5%
S&P 500	3,253	0.3%	0.6%	20.2%
MSCI World	2,342	-0.6%	-0.9%	15.4%
S&P/TSX	17,404	-0.2%	2.0%	12.2%
BSX	2,217	-1.8%	-7.8%	3.0%
FTSE100	7,326	-1.2%	-3.9%	4.4%
DAX	13,045	-1.2%	-1.3%	16.7%
CAC	5,833	-0.5%	-3.5%	16.2%
Nikkei	22,972	-1.6%	-2.9%	10.5%
Hang Seng	26,357	-5.7%	-7.4%	-5.6%
Shanghai	2,747	-7.7%	-10.9%	4.9%

Key Rates and Prices

Currencies	2/4/20	Month ago	Year ago
EUR	$1.11	$1.12	$1.15
GBP	$1.30	$1.31	$1.31
JPY	¥108.69	¥108.09	¥109.50
CAD	$0.75	$0.77	$0.76
CHF	$1.03	$1.03	$1.00
AUD	$0.67	$0.70	$0.73
Fixed Income			
3M LIBOR	1.75	1.87	2.73
3M Treasury Bill	1.56	1.51	2.39
2Yr Treasury Note	1.35	1.53	2.51
10Yr Treasury Note	1.52	1.79	2.69
Fed Funds Rate	1.75	1.75	2.50
Commodities			
Gold/oz.	1,577.06	1,552.20	1,317.98
Silver/oz.	17.68	18.06	15.91
Copper/lb.	2.53	2.78	2.78
Oil	50.07	63.05	55.26

Global Economic Calendar (February 4rd - February 7th)

Tues: Redbook (US); Factory Orders (US); Labour Market Conditions (NZ)
Wed: MBA Mortgage Applications (US); ISM Non-Mfg Index (US); EIA Petroleum Status Report (US)
Thurs: Jobless Claims (US); Challenger Job-Cut Report (US); Productivity and Costs (US); Money Supply (US)
Fri: Employment Situation (US); Baker-Hughes Rig Count (US)