

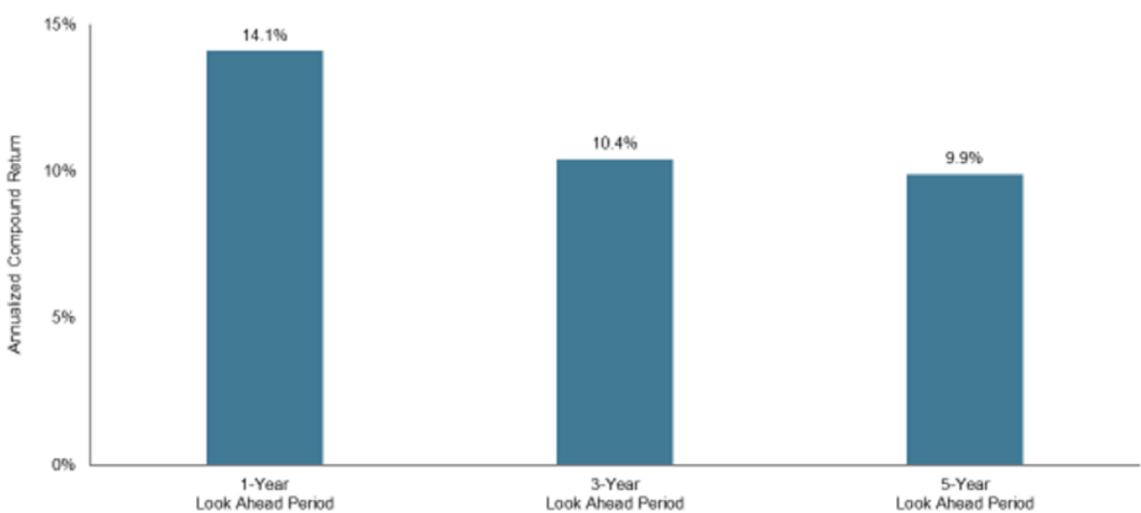
Market Review April 2019

Stock markets had another strong month in April as the S&P 500 closed at a new historic high of 2945.83 at the end of the month, notching up a 4.05% (in USD) gain for the month. Local equities finally shook off a slow start to 2019 to play catch up, with the STI Index gaining 6.11% (in SGD) for the month. Overall, broader markets as tracked by the MSCI World and MSCI Emerging Markets Index also had a good month, returning 3.55% and 2.11% respectively.

While investors cheer the new market highs, the emotional aspect of investing might kick in and one might be tempted to ask: How much longer can the market rally? As always, we turn to the data to answer that question.

Average Annualised Returns after New Market Highs

S&P 500, 1/1926–12/2018



In US dollars. Past performance is no guarantee of future results. New market highs are defined as months ending with the market above all previous levels for the sample period. Annualized compound returns are computed for the relevant time periods subsequent to new market highs and averaged across all new market high observations. There were 1,115 observation months in the sample. January 1900–Present: S&P 500 Total Returns Index. S&P data © 2019 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. January 1926–December 1989: S&P 500 Total Return Index, Stocks, Bonds, Bills and Inflation Yearbook™, Ibbotson Associates, Chicago. For illustrative purposes only. Index is not available for direct investment; therefore, its performance does not reflect the expenses associated with the management of an actual portfolio. There is always a risk that an investor may lose money.

Looking back at more than 90 years of S&P 500 data, the average annualised return of the S&P 500 after reaching new market highs tends to be positive for one to five-year look ahead periods. This means on average, the market tends to go up further after reaching a new high. Why would markets go up more? Well, for markets to make a new high, it must mean company earnings and growth are doing better than expected so the market will have to adjust prices to reflect this new data. Please note that this is just the average return across all observation periods after a new high, so it does not mean that the market will go up this much (or even keep going up at all) after a new high.

Economic growth remains stable. The US first-quarter GDP growth came in at an annualised 3.2% while China’s GDP beat expectations to grow 6.4% on an annualised basis in the same period. At its most recently concluded meeting, the Fed decided to hold rates steady at 2.25% to 2.5%, and said that it would continue to adopt its patient stance in the face of steady economic growth and benign inflation (at 1.6% by the Fed’s preferred PCE measure).

South East Asia has also started to recover from the slowdown in 2018, with the Nikkei-Markit manufacturing PMI up to a five-month high of 50.4. A reading above 50 represents expansion. This reflects the improvement across Asia as the trade tensions continue to ease between the US and China. Negotiations between the two countries are continuing into May, and it is hoped that an agreement can be reached by the end of May.

To illustrate how important trade between the 2 largest economies is to global growth, we can turn to the IMF World Economic Outlook Report. According to the IMF data, global growth peaked at 4% in 2017. It maintained momentum in the first half of 2018 with 3.8% growth, but fell to 3.2% in the next half of 2018, resulting in a full year growth of 3.6%. This was largely due to worsening trade from the US – China trade war. While the IMF expects growth to slow further in 2019 to 3.3%, any improvement in the US-China trade talks is likely to lift the outlook.

The markets have so far delivered strong returns in 2019. However, markets do not go up in a straight line, and there will always be some ups and downs on the way. Therefore, it is important to rebalance our portfolios regularly to ensure that they are tracking their targeted risk allocations. If you have any questions about your financial plan or current investment situation, you can always contact us for a non-obligatory discussion.

Make An Enquiry

Warmest Regards,
 Investment Team



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