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Market Volatility Update

After a dismal fourth quarter in 2018, global markets managed a strong advance in the first quarter of 2019 and through the month of April, not only recovering the losses from the fourth quarter, but also leading to new highs. Accommodative monetary policies, optimism over a US-China trade deal, signs of stabilization for global economic growth and a better than expected beginning to the earnings season have helped equity markets recover from the fourth quarter swoon. Markets have declined in May as trade-related headlines continue to receive significant attention.

After four interest rate hikes in 2018, the Fed’s shift to a dovish position in 2019 has contributed to improved market sentiment, easing financial conditions, and provided relief to emerging market economies that borrow in US dollars. Nevertheless, geopolitical risks remain. Brexit will continue to be a source of uncertainty, as will upcoming elections in Spain, Germany and India. The unfolding situation in Venezuela and tightened sanctions on Iran could have significant implications for the price of oil.

We continue to expect markets to exhibit bouts of volatility throughout 2019 as economic growth still show signs of slowing, trade developments dominate headlines and the possibility of a conflict with Iran becomes more real over missile deployments and other weapons developments. However, the shift to more accommodative monetary policies globally and stabilizing economic data coming out of China should help provide support to markets and the potential for a reasonably good year for equities.

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