

Equity markets

In April, equity markets were building on their strong performance of the first quarter. Eurozone equities (MSCI EMU) rose by 5.1%. US stocks had similar a performance, while the S&P 500 and Nasdaq indices both reached new all-time highs. In addition to the themes that have been playing out during the past few months - more flexible central banks, no further escalation in the US-China trade dispute and the stabilizing of economic growth - the market reacted favorably to the publication of company results that were 'not as bad as feared'. In the United States, more than 40% of S&P 500 companies have published their results at the end of the month. After a sharp downward revision of expectations over the past few months, an above-average number of companies have now outperformed these forecasts. Nevertheless, profit growth for the quarter remained negative for the index as a whole (currently -2.3%) as of the end of April. Turnover, in turn, grew by +5.1%, which was largely in line with expectations. Companies continue to be relatively cautious in their comments for the coming quarters. In Europe, results for companies in the Stoxx 600 index also exceeded expectations, but to a lesser extent than in the US. In Europe, profit growth in the first quarter was positive (+4%), with turnover growth of 4% as well. The market was also supported by the record amounts that companies are spending on share buy backs.

Equity Markets	April	3 months	Since 31/12	12 months
MSCI EMU NR	5.1%	10.7%	17.7%	0.7%
MSCI EUROPE NR	3.8%	10.3%	17.1%	4.6%
MSCI USA NR	4.2%	11.9%	20.6%	21.6%
MSCI JAPAN NR	1.6%	4.4%	10.3%	0.1%
MSCI EM. MARKETS NR	2.3%	5.7%	14.5%	2.4%
MSCI AC WORLD NR	3.6%	10.0%	18.3%	13.3%

(Performances in EUR dd. 30/04/2019) (Source : Bloomberg)

Bond markets

Bond markets remained relatively stable in April, with the German 10-year yield fluctuating around zero and the US 10-year yield around 2.5%. Furthermore, at the end of the month US bond yields hardly experienced any upward pressure when a better-than-expected GDP growth rate of 3.2% was published for the first quarter. This was because the growth figure was followed by an inflation figure (core inflation PCE) that fell to 1.6%, the lowest level in 14 months. During the month, the spread on Italian government bonds compared to German bonds jumped by more than 30 basis points. Here, the market was not entirely reassured by the announced review of Italy's credit rating by Standard & Poor's. This rating was at BBB (the last but one level of investment grade), but because of the disappointing economic growth in the previous two quarters (technical recession) and the budget deficit, which will be higher than expected this year, a downward adjustment was one of the options. However, S&P confirmed its rating of BBB with a negative outlook, which somewhat narrowed the spread again. Parliamentary elections in Spain were a victory for Prime Minister Sanchez's socialist PSOE, and there is a good chance that Spain is once again headed for a lengthy period of government formation. Spanish government bonds remained stable on the bond market. Corporate bond spreads continued their downward trend since the beginning of this year, in both the investment grade and high yield segments.

Government Bond Yield 10 y	Current	April	3 months	Since 31/12
Belgium	0.45	0.04	-0.15	-0.33
France	0.37	0.05	-0.19	-0.34
Germany	0.01	0.08	-0.14	-0.23
Italy	2.56	0.07	-0.03	-0.19
Greece	3.37	-0.37	-0.50	-1.03
Spain	1.00	-0.10	-0.20	-0.42
United States	2.50	0.10	-0.13	-0.18
Japan	-0.04	0.04	-0.05	-0.04

(Evolution until 30/04/2019) (Source : Bloomberg)

Central banks and monetary policy

As far as news from the central banks is concerned, April was a quiet month. The Japanese central bank was somewhat more specific than before in stating that it would not be changing its short-term interest rate and its target for long-term interest rates for at least a year. The Swedish central bank raised its short-term interest rate for the first time in seven years in December and confirmed in February that it would gradually continue with the normalization of monetary policy. Nevertheless, the past month the Riksbank joined other central banks in a more cautious interest rate outlook by stating that any new interest rate hike would only come at the end of this year or early next year. The market was particularly surprised, however, by the announcement that a new government bond purchasing program amounting to SEK 45 billion would be launched in July and run until the end of 2020. The Canadian central bank is also no longer envisaging interest rate increases in its outlook.

Central Bank Rates	Current	Latest adjustment	Date
Fed funds	2.25 - 2.50%	+0.25%	Dec. 2018
ECB refinancing rate	0.00%	-0.05%	Mar. 2016
(Situation on 30/04/2019)		(Source : Bloomberg)	

Currencies

In April, the dollar remained strong against the main other currencies and reached its highest level for two years against the euro during the month. The strength of the US currency can partly be ascribed to the generally better economic indicators for the US compared to other regions, and must also be seen as a counterpart to weakness in a number of emerging markets. The weakness of these currencies is largely limited to a number of poor performers, such as the Turkish lira and the Argentine peso. These currencies fell by 6.0% and 2.1% respectively against the euro. Both countries remain heavily dependent on the external financing of their debts, and also face political uncertainties. The Swedish krona weakened against the euro (-2.1%) following the unexpected decision of the central bank. Safe haven currencies such as the Swiss franc and the Japanese yen were weaker. The British pound also lost some ground after a second postponement of the Brexit deadline, a postponement that increases the number of possible scenarios and thus increases uncertainty.

Currencies	Current	April	3 months	Since 31/12
USD	1.122	0.0%	2.0%	2.2%
GBP	0.860	0.0%	1.5%	4.3%
JPY	125.02	-0.5%	-0.3%	0.6%
CHF	1.143	-2.4%	-0.4%	-1.6%

(Evolution versus EUR until 30/04/2019) (Source : Bloomberg)

Commodities

The price of oil rose further in April (+6.4% in USD) and reached USD 75 per barrel in the course of the month. At the beginning of this year, the price was just over USD 50. The increase in the past month is largely attributable to the expiry of exemptions to the Iranian oil embargo granted by the US government to a number of countries in November of last year. These exemptions were always intended to be temporary, but the fact that they were not extended came as a surprise in view of already relatively high oil prices. Towards the end of the month the price fell back somewhat after President Trump reportedly contacted OPEC about keeping supply at the right level. A decision on extending OPEC+'s production restrictions beyond June has not yet been made, but comments from Saudi Arabia point in that direction. The strength of oil prices was not reflected in other commodities. Industrial metals fell despite some better economic figures from China, but the market had already anticipated this development. Gold prices also lost ground because investors showed less interest in safe haven investments.

Commodities	Current	April	3 months	Since 31/12
Commodities (GSCI)	446.45	2.8%	9.5%	19.3%
Oil (Brent)	72.80	6.4%	17.6%	35.3%
Gold	1283.53	-1.0%	-3.0%	0.3%

(Evolution in USD until 30/04/2019) (Source : Bloomberg)