

Monthly Market Commentary

Global markets started the year on a positive note with optimism and expectations of growth to bottom and re-accelerate in most major economies. However, the sudden outbreak of the Coronavirus in China and its contagion into some other countries has ignited a flight to safety and a risk off tone in the markets late in January. Markets expect the virus to have an impact on global growth as it coincides with the biggest holiday spending season in China as it rings in its lunar New Year. The exact impact of the outbreak may take some more time to predict accurately, but the knee jerk reaction has taken a toll on most emerging markets and perpetuated higher uncertainty globally. Commodities took the biggest hit on these concerns as China plays an important role in the demand picture.

In the US, the first read on 4th quarter GDP was reported at 2.3% YoY, which was slightly better than expected and marks the first acceleration since 2nd quarter of 2018 when growth was 3.2% YoY. Looking deeper on the composition of GDP, most of the upside came from net exports and government spending while consumption and investments remain muted at best. This mixed report has also contributed to some uncertainty with regards to consumption and where the economy may be headed as we progress through an election year.

Considering the current macro environment, a defensive approach may be warranted for some more time before we take a more risk on tone. We are comfortable holding elevated levels of cash until there is more stabilization in global economies and prefer to be selective in our exposures.

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