

Market Commentary – 29 February 2016

Global stocks mixed

Investors were disappointed by the lack of a plan to stimulate global growth from the Group of 20 meeting.

Equity Markets

European stocks were mixed Monday after a weekend meeting of G20 policymakers ended with no coordinated action to spur global growth, although they pledged to use all policy tools to strengthen global recovery. The FTSE was virtually unchanged, the CAC added 0.9 percent while the DAX and SMI were down 0.2 percent and 0.4 percent respectively. Tumbling Chinese stocks also contributed to early weakness. For the month of February, only the FTSE (up 0.2 percent) and the OMX (up 1.2 percent) advanced. The CAC, DAX and SMI were down 1.4 percent, 3.1 percent and 5.7 percent respectively.

However, the markets reversed direction after the People's Bank of China lowered the amount of cash that banks should keep in reserve in a bid to support slowing economic growth amid a weakening currency and tumbling stock markets. The PBoC lowered the RRR by 50 basis points after markets in Asia were closed for the day. The cut is effective on March 1.

Manz soared after Chinese group Shanghai Electric agreed to buy at least a quarter of the technology group. Volkswagen, Daimler, BMW, Renault and Peugeot finished higher. In Paris, Carrefour Group advanced. The grocery retailer has signed an agreement with the Eroski Group to acquire 36 compact hypermarkets with a total sales area of 235,000 square meters, as well as 8 shopping malls and 22 gas stations adjacent to the

stores in Spain. Mobile gaming firm Gameloft slipped after its board rejected Vivendi's hostile takeover offer, saying the unsolicited bid is against the interests of the company, shareholders, employees and its customers. Technip and Total gained. In London, Morrison Supermarkets climbed after the company announced an expansion of its online operations by signing a new supply agreement with Amazon.com. Sky rallied after a broker upgrade.

Eurozone consumer prices declined for the first time in five months in February and at the fastest pace in a year, adding to the deflation worries of the European Central Bank. The flash February HICP declined 0.2 percent on the year after increasing 0.3 percent in January. German retail sales rose a seasonally and calendar-adjusted 0.7 percent on the month in January.

In the **US** stocks retreated in afternoon trading Monday even though oil prices moved higher. The Dow Jones industrials and Nasdaq were down 0.7 percent while the S&P lost 0.8 percent. Investors reacted to some disappointing economic news which renewed fears of a slowdown. For the month of February, the Dow was up 0.3 percent while the Nasdaq and S&P were down 1.2 percent and 0.4 percent respectively.

Valeant plunged after the troubled drug maker confirmed it is under investigation by the SEC. Icahn Enterprises sent a letter to Federal-Mogul's board on Sunday offering to pay \$7 a share for the company. Federal Mogul shares surged. Signet Jewellers climbed after the company signalled better results for its most recent quarter. The company forecast a larger profit and better sales than expected. Taser International advanced after the company, which makes stun guns, reported profit and revenue that beat estimates. Lumber Liquidators Holdings continued to

slide after it reported a bigger than expected loss and less revenue than expected.

The National Association of Realtors (NAR) said its pending home sales index slumped 2.5 percent in January after increasing an upwardly revised 0.9 percent in December. The Chicago PMI, an index covering both manufacturing and services in the Chicago area, slumped to 47.6 from 52.9 in January.

Finance ministers and central bankers from the Group of 20 rich and developing countries promised at their meeting on Saturday in Shanghai to use “all tools” at their disposal to bolster weak global growth, which is at its lowest level in two years. They also vowed not to devalue their currencies to support exports. They declared that the global economy was healthy, but acknowledged they needed to do more to lift growth, without announcing any joint plan of action.

Asian shares were mixed Monday with a fresh sell-off in mainland Chinese shares. Investors were disappointed by the lack of new G20 measures to spur growth weighing. While oil prices held steady after sharp gains last week. A weekend meeting of G20 policymakers ended with no coordinated action to spur global growth, although policymakers pledged to use all policy tools to strengthen global recovery.

The Shanghai Composite closed 2.9 percent lower — its lowest level in a month, after dropping as much as 4.6 percent earlier in the day on worries that wealthy investors were shifting their investments from stocks to realty. The fresh downturn also reflected concerns over capital flows as the PBoC guided the yuan to its weakest level in three weeks. The Hang Seng was down 1.3 percent. In February, the Shanghai Composite lost 1.8 percent and the Hang Seng was 2.9 percent lower.

The Nikkei declined 1.0 percent, erasing early gains as the dollar took a breather against the yen following Friday's steep climb thanks to upbeat U.S. data. Economic reports painted a mixed picture, with Japan's industrial output rising for the first time in three months in January and housing starts figures coming in above forecasts, while retail sales fell more than expected last month. Advantest, Aeon, Asahi Group Holdings,

Canon, Chubu Electric Power, Fuji Film Holdings, Hitachi Construction Machinery, Komatsu, Mitsubishi Logistics and Nomura Holdings declined. Sharp dropped to extend last week's losses after saying it hasn't set a specific deadline for finalizing a takeover deal with Taiwan's Foxconn. Nintendo was down after halving its full-year profit outlook. Nissan climbed after unveiling its biggest share buyback ever. The Nikkei plummeted 8.5 percent in February.

The S&P/ASX was virtually unchanged while the All Ordinaries inched up 0.1 percent. Investors looked ahead to fourth quarter GDP data due mid-week, as data on company gross operating profits, consumer prices and private sector credit painted a mixed picture of the economy. While banks ended mostly lower, miner Rio Tinto and Fortescue Metals Group advanced. The All Ordinaries lost 2.1 percent in February while the S&P/ASX retreated 2.5 percent.

The Kospi was down 0.2 percent Monday as investors looked ahead to the March meeting of the European Central Bank and China's annual policy gathering. In February the Kospi advanced 0.2 percent. The Sensex ended a volatile session down 0.7 percent with investor disappointment over various tax proposals in the Union Budget and a weak trend in Chinese and European bourses weighing on markets. The index lost 7.5 percent in February.

These data reflect observations at 4:00 PM US ET. Gold at the afternoon London fixing was up US\$8.40 to US\$1,234.90. Copper futures were up 0.1 percent to US\$2.13. WTI spot crude was up US\$1.04 to US\$33.82. Dated Brent spot crude was up 87 US cents to US\$35.97. The US dollar was up against the euro and the Swiss franc. However, it declined against the yen, pound and the Australian dollars. However, it was virtually unchanged against the Canadian dollar. The Dollar Index was up 0.2 percent. The yields on both the US Treasury 30 year bond and 120 year note were down 3 basis points to 2.61 percent and 1.73 percent respectively.

The Longer-Term Perspective

Markets historically fall from time to time in the course of their longer-term upward progress. Investors who are willing to accept periods of market volatility and stay invested for the long term are often well positioned to grow their wealth as markets subsequently recover.

We view the market reaction to them as a normal part of the investment cycle that, in itself, creates attractive opportunities for long-term investors.

Looking forward

The following indicators will be released this week...

The Reserve Bank of Australia publishes its monetary policy decision.

Japan releases January data for unemployment and household spending.

China reports its official CFLP manufacturing PMI.

The Markit manufacturing PMIs will be released for China, Japan, India, the Eurozone, France, Germany, the UK and the US.

Germany posts its February unemployment rate while the Eurozone reports its January unemployment.

Canada releases fourth quarter gross domestic product.

In the US, the ISM manufacturing index for February and January construction spending will be released

	Index	2016 Feb 29	Daily Change	%Change Daily
North America				
United States	Dow	16516.50	-123.5	-0.7
	NASDAQ	4557.95	-32.5	-0.7
	S&P 500	1932.23	-15.8	-0.8
Canada	S&P/TSX Comp	12860.35	62.6	0.5
Europe				
UK	FTSE 100	6097.09	1.1	0.0
France	CAC	4353.55	39.0	0.9
Germany	XETRA DAX	9495.40	-17.9	-0.2
Italy	MIB	17623.07	139.3	0.8
Spain	Ibex 35	8461.40	112.2	1.3
	OMX Stockholm			
Sweden	30	1372.54	1.7	0.1
Switzerland	SMI	7843.63	-33.4	-0.4
Asia/Pacific				
Australia	All Ordinaries	4947.95	2.9	0.1
Japan	Nikkei 225	16026.76	-161.7	-1.0
Hong Kong	Hang Seng	19111.93	-252.2	-1.3
S. Korea	Kospi	1916.66	-3.5	-0.2
Singapore	STI	2666.51	17.1	0.6
China	Shanghai Comp	2687.98	-79.2	-2.9
Taiwan	TAIEX	*	*	*
India	Sensex 30	23002.00	-152.3	-0.7
*Market closed				
Data Source — Haver Analytics				