

## Market Commentary – 31 March 2016

### The first quarter limped to a close

While most stocks were up in March, most retreated for the quarter.

### Equity Markets

**European** stocks retreated on the last day of the month and quarter amid weak oil and metal prices and as Chinese manufacturing and US jobs data loomed, prompting investors to lock in some gains following a rally in the previous session. The FTSE and SMI were down 0.5 percent, the CAC dropped 1.3 percent and the DAX lost 0.8 percent. In March, the FTSE, CAC and DAX advanced while the SMI declined. The four indices retreated for the quarter.

Economic reports painted a mixed picture, with German retail sales declining and the euro area inflation holding in negative territory for the second month in a row. However, UK GDP growth was revised up to 0.6 percent growth in the fourth quarter from the previous estimate of 0.5 percent. A slew of other reports on UK mortgage approvals, Eurozone consumer confidence, German unemployment, French consumer spending and inflation also revealed a tale of mixed fortunes for regional economies.

Bouygues slumped after the company said its board would meet before the end of the weekend in order to make a final decision on whether to sell its telecoms business to rival Orange. Orange shares retreated. Allianz, BASF, Commerzbank, Deutsche Bank, Deutsche Telekom and EON also retreated. Deutsche Lufthansa advanced after oil hit two week lows on oversupply worries. Miners were mixed with BHP Billiton and Rio Tinto declining while Antofagasta advanced. BP and Royal Dutch Shell

slipped. TUI Group climbed after the world's largest tour operator reported good trading performance for summer 2016 with both revenue and bookings ahead of last year. Old Mutual, InterContinental Hotels Group and Wolseley declined after going ex-dividend, taking around 2.3 points off the FTSE.

**United States** markets wavered in quiet trading Thursday as the stormy quarter ended. Stocks were down slightly but the Dow and S&P posted gains for the quarter after a month long rally that rescued stocks from their worst start to a year since 2009. Both the Dow Jones industrials and the S&P lost 0.2 percent while the Nasdaq was virtually unchanged (up 0.55 point). The choppy trading came as traders seemed reluctant to make significant moves ahead of the release of the Labor Department's closely watched monthly jobs report on Friday.

The Dow was up for the second month in the quarter, increasing 7.1 percent after inching up 0.3 percent in February. For the quarter, the Dow was up 1.5 percent. The S&P gained 6.6 percent in March and managed a 0.8 percent increase for the quarter. Nasdaq added 6.8 percent in March but was down 2.7 percent for the quarter.

IBM was up after the company said it would expand its business services division by buying the Bluewolf Group which provides cloud consulting services. IBM did not disclose terms. A month ago IBM agreed to buy Truven Health Analytics in a \$2.6 billion deal intended to strengthen the health care capabilities of its Watson cognitive computing system. In October, it agreed to buy the data, technology and websites of the Weather Company which owns the Weather Channel. Movado retreated after the company's profit and sales forecasts for 2016 fell short of estimates. Medivation led the biotech sector higher after Reuters reported the cancer drug maker has been working with JPMorgan to handle

potential takeover offers. Nimble Storage and Datalink posted standout gains.

Jobless claims were up 11,000 last week to 276,000. The number of applications remained very low, a sign that hiring is solid. The March Chicago PMI bounced up to a reading of 53.6 from 47.6 in February.

**Asian** shares were mixed in Thursday trading as investors exercised caution before the release of Chinese manufacturing data for March and the US employment report. The yen continued to rise while oil prices retreated after data showed another inventory build in the US.

The Shanghai Composite edged up 0.1 percent even though China's biggest banks posted their lowest annual profit growth in a decade amid rising bad loans. The Hang Seng was down 0.1 percent. The indices advanced 11.8 percent and 8.7 percent in March. However, both were down for the first quarter despite those gains. The Shanghai Composite lost 15.1 percent while the Hang Seng was 5.2 percent lower.

The Nikkei was down 0.7 percent Thursday thanks to the weak US dollar. Sharp tumbled after Taiwan's Foxconn agreed to acquire the struggling consumer electronics company at a big discount to its original offer. Toshiba rallied after it agreed to sell an 80.1 percent stake in its home appliance business to China's Midea Group for about ¥53.7 billion. Takata, which plunged as much as 20 percent on Wednesday, closed higher after denying media reports on airbag recall costs. Japanese housing starts unexpectedly grew 7.8 percent on the year in February, confounding expectations for a 2.8 percent drop and marking the fastest growth since August 2015. The Nikkei was up 4.6 percent in March but lost 12.0 percent for the quarter.

Both the S&P/ASX and All Ordinaries were up 1.4 percent on the last day of the month thanks to rebounding banks and resource stocks. In March, both indices added 4.1 percent. However, for the quarter, the S&P/ASX lost 4.0 percent and the All Ordinaries was 3.6 percent lower. Qantas Airways advanced on reporting a 10.5 percent increase in overall passenger numbers for February.

The Kospi slipped 0.3 percent Thursday on foreign fund selling in large-cap shares. However, the index was up 4.1 percent in March and 1.8 percent for the first quarter. The Sensex was virtually unchanged on the day. In March, the index jumped 10.2 percent but was still 3.0 percent lower for the quarter.

These data reflect observations at 4:00 PM US ET. Gold at the afternoon London fixing was up 75 US cents to US\$1,237.00. Copper futures were down 0.2 percent to US\$2.19. WTI spot crude was down 13 US cents to US\$38.19. Dated Brent spot crude was up 34 US cents to US\$39.60. The US dollar was up against the pound, yen and the Canadian and Australian dollars. However, it declined against the euro and Swiss Franc. The Dollar Index was down 0.3 percent. The yield on US Treasury 30 year bond was down 4 basis points to 2.61 percent while the yield on the 10 year note declined 5 basis points to 1.77 percent.

## **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**

Japan posts first quarter Tankan and March manufacturing PMI.

China reports both the CFLP and Markit manufacturing PMIs.

March manufacturing PMIs will also be released for the Eurozone, France, Germany, the UK and US.

The Eurozone releases February unemployment.

In the US, the March employment situation, ISM manufacturing index, consumer sentiment and February construction spending will be reported.

		2016	Daily	%Change
	Index	Mar 31	Change	Daily
<b>North America</b>				
United States	Dow	17685.09	-31.6	-0.2
	NASDAQ	4869.85	0.6	0.0
	S&P 500	2059.74	-4.2	-0.2
Canada	S&P/TSX Comp	13494.36	-9.6	-0.1
<b>Europe</b>				
UK	FTSE 100	6174.90	-28.3	-0.5
France	CAC	4385.06	-59.4	-1.3
Germany	XETRA DAX	9965.51	-81.1	-0.8
Italy	MIB	18116.88	-258.4	-1.4
Spain	Ibex 35	8723.10	-147.1	-1.7
	OMX Stockholm			
Sweden	30	1365.70	-11.1	-0.8
Switzerland	SMI	7807.89	-37.2	-0.5
<b>Asia/Pacific</b>				
Australia	All Ordinaries	5151.79	70.3	1.4
Japan	Nikkei 225	16758.67	-120.3	-0.7
Hong Kong	Hang Seng	20776.70	-26.7	-0.1
S. Korea	Kospi	1995.85	-6.3	-0.3
Singapore	STI	2840.90	-31.9	-1.1
China	Shanghai Comp	3003.92	3.3	0.1
Taiwan	TAIEX	8744.83	7.8	0.1
India	Sensex 30	25341.86	3.3	0.0
Data Source — Haver Analytics				