



April Monthly Update: Wall Street Rounds Out Best Four-Month Start Since Dot-Com Era

Wall Street and global stocks extended their relief rally in April, as a combination of trade optimism, rebounding economic data and a more accommodative Federal Reserve fueled another month of explosive growth for riskier assets. April was also the month that the S&P 500 and Nasdaq came full circle, as both indexes returned to record territory for the first time since late September.

U.S. Stocks Return to Record Levels

The major U.S. stock indexes have just rounded out their best four-month start to a year since at least 1999,¹ a feat that would have seemed highly improbable in December when the S&P 500 and Nasdaq officially crossed into bear-market territory. By the last week of April, both averages had returned to record levels with the Dow Jones Industrial Average coming within a few hundred points of a new peak.

Along the way, Dow blue-chip Microsoft Corp (MSFT) became only the second company in U.S. history to exceed a market capitalization of more than \$1 trillion. The rally was sparked by a better than expected earnings report that confirmed the software giant's growing dominance in the cloud computing market.

TSX Hits Record High

The Toronto Stock Exchange also rounded out a record-setting April thanks to broad gains in health care, consumer and industrial stocks.² The S&P/TSX Composite Index set multiple record highs during the month, the last of which occurring on April 23 with a close of 16,669.40. Year-to-date, the TSX has gained more than 16%.

Canada's benchmark index has benefited from a broad uptrend in energy stocks as oil prices extended their recovery during the month. A dovish Bank of Canada (BOC) has also allayed concerns that rising interest rates could impede on the nation's already sluggish economic growth. After the BOC's last policy meeting, the chance of an interest rate cut has increased considerably. This is due to the central bank walking back strong language implying that further hikes are needed.³



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U.S. Economy Regains Momentum

The U.S. economy surprised to the upside during the first quarter, growing at an annualized rate of 3.2%, the Department of Commerce reported last month. Analysts in a median estimate had called for annual growth of just 2%. With the gain, the U.S. economy capped off its best start to a year since 2015.⁴

A closer look at the numbers reveals that net exports contributed a substantial amount to the economy's strong performance. This came at the expense of consumer spending, which slowed considerably during the quarter. Consumer spending accounts for more than two-thirds of U.S. gross domestic product.

The U.S. economy appears to be heating up again at a time when global growth is stagnating. Canada's economic output has slowed to a crawl while Japan and the Eurozone face strong headwinds. The matter of China and the U.S.-led trade war prompted the International Monetary Fund (IMF) last month to downgrade its outlook on global GDP yet again.⁵

The Month Ahead

The next four weeks are a pivotal time in the ongoing U.S.-China trade negotiations. As the South China Morning Post recently confirmed, President Xi Jinping could travel to the United States to finalize a trade deal as early as June. President Trump has also stated that a White House visit by his Chinese counterpart will be "soon."⁶

Economic data and corporate earnings will also be in the spotlight this month. As of April 26, less than half of the S&P 500 companies had reported their first-quarter financial results, according to FactSet. Blended earnings are still on track to report their first year-over-year decline since 2016.

On the data front, investors will be looking to confirm whether the U.S. economy has turned a corner at the start of 2019 after the much stronger than expected GDP report. This puts primacy on upcoming data tied to consumer spending, industrial production, inflation and nonfarm payrolls.

Sincerely,

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¹ Michael Wursthorn (April 30, 2019). "Stocks Are Off to Their Best Four-Month Start in Decades." The Wall Street Journal.

² CBC (April 18, 2019). "TSX closes at record high as bull market continues."

³ Jessica March (April 24, 2019). "Chance of interest rate cut rises as Bank of Canada turns more dovish." LowestRates.ca.

⁴ Sam Bourgi (April 26, 2019). "U.S. Stocks Return to Record High in GDP-Inspired Rally." Hacked.com.

⁵ Andrew Mayeda (April 9, 2019). "IMF Cuts Global Growth Outlook to Lowest Pace Since Crisis." Bloomberg.

⁶ Zhou Xin (April 26, 2019). "Chinese President Xi Jinping could travel to US to sign trade deal as early as June, source says." South China Morning Post.



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