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2019 stock market review

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For investors around the world, 2019 was by and large a continuation of the previous year: the trade dispute between the US and China and the back and forth over Brexit remained the dominant topics.

It wasn't until the end of the year – even if no final solutions were presented – that at least some relevant headway seemed to be made.

Over the course of the year, the world's two largest economies imposed new tariffs and retaliatory economic policies on each other. The trade conflict was chiefly marked by contradictory announcements on the part of US President Donald Trump as well as deadlines and postponements, some of which had a strong impact on the stock markets.

Trading conflicts kept investors on their toes

Finally, in December, a partial agreement between the USA and China was reached, allowing an actual success of the talks to be reported. However, the prospects of such an agreement drove the Dow Jones Industrial Index to record highs even before that:

In July, the US stock market's foremost leading index broke the 27,000-point mark for the first time. In November it then broke the next record of 28,000 points. Over the year as a whole, the Dow Jones climbed about 22.7 per cent to 28,621.39 points (index value at 11.15 am 27th December 2019).

European investors are likely satisfied with the general market development in 2019 as well: the Euro-Stoxx-50 gained 26.1 per cent over the year, the Frankfurt DAX increased by 26.3 per cent and the Vienna Stock Exchange's ATX gained 17.6 per cent (index values at 11.15 am 27th December 2019).

On the Eastern side of the Atlantic, the ongoing struggle surrounding Brexit was followed particularly keenly. The UK general election brought this situation to a preliminary conclusion.

After a turbulent development, the most likely outcome of the Brexit was the UK's withdrawal from the EU under the terms of Brexit contract renegotiated by election winner Boris Johnson.

In view of the long-feared Hard Brexit without contractual arrangements with the EU, the markets accepted this situation as at least not being the worst outcome.

Mixed impulses provided fuel for discussions

In spring and summer, a phenomenon on the bond markets caused a stir: for the first time, the US bond yield curve showed an inverse trend, with higher yields being demanded for short-term government bonds than for bonds with longer maturities.

This is regarded as a reliable sign of a recession and therefore received a great deal of attention on the financial markets. Another market shaken by trade conflicts and political developments was the crude oil business.

After a number of failed and mildly successful IPOs, the year in IPOs closed out with a magnificent finale: Saudi-Aramco, the Saudi Arabian oil giant's IPO, was the largest offering in history.

Outlook to an exciting year

The erratic course the year took in many areas finally came to an optimistic end. Next year, investors will probably once again have to deal with all-too familiar questions:

- What effect will the Brexit have in the short term, and can Boris Johnson use his new power foundation to make further adjustments and provide the country with new economic ground to stand on?
- Was the partial agreement between the USA and China a first step towards a long-term solution to their trade disputes, or will the path towards a solution be even stonier and longer than expected?

Either way, one event that will bring about a decision important for all these questions will take on even greater significance in 2020: the US presidential election – already exacerbated by the recently launched impeachment proceedings against Donald Trump.

Legal note:

Prognoses are no reliable indicator for future performance.

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A blog post by APA Finance together with Erste AM Communications.