MV Capital Management Weekly Market Flash

Eurozone: The Fearful Trip is not Done

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The S&P 500 recovered ground this week, climbing from last week's low of 1909.57 to high of 1953.45 at the time of writing this piece. It seems the market has continued to move onward and upwards, repeatedly shrugging off geopolitical worries as it has for the greater part of this year. While this is seemingly good news for investors, it is important to keep abreast of some of the troubles which are brewing abroad and may bring further volatility in days to come – namely a region which has continually kept investors' anxiety on edge since the Great Recession, the Eurozone.

Rise up and hear the Bells: Troubling Numbers from Abroad

This week, economic reports from Europe showed that trouble still lingers for many of the countries within the region. Surprisingly, even the stronger economic powerhouses of the continent, such as Germany and France, are beginning to show signs of trouble. Germany's economy has failed to show positive growth; in recent economic releases German GDP shrank by 0.2% - the first time that the country has shown a negative outlook in over a year – and France's economy hasn't shown any growth for the second consecutive quarter year to date. Other countries such as Italy and Spain, who are no strangers to negative economic data, continue in the same fashion with the prospect of steady growth still far off in the horizon.

Draghi: For You They Call

The European Central Bank (ECB) has had their work cut out for them since Draghi's proclamation of "whatever it takes." While the Fed continues to tighten the quantitative easing pedal here domestically, abroad it seems the ECB cannot do the same. The ECB, like the Fed, has taken measures to keep low interest rates, encouraging cheap bank loans and purchasing securities to beef up Europe's respective economies; but it seems the ECB, unlike the Fed, may have to ramp up their efforts in the near future.

Draghi seems to be resistant to this idea however, voicing scrutiny directed towards the leadership of different nations, highlighting that reforms and policies must be enacted within the different Eurozone nations to become more competitive.

The Ship is Anchor'd – Safe and Sound?

So, all this data begs the question: what does this mean for capital markets around the world? The answer is yet to be determined. The US domestic picture continues to be strong; it remains the biggest engine of growth in today's capital markets. How asset prices begin to reflect the lagging of the Eurozone depends on whether investors will continue to focus on positive US data or if the economies of countries abroad will become too heavy of an anchor for positive overall momentum.

Our outlook remains generally positive; however we will keep a watchful eye on markets abroad from Europe to China and everywhere in between. This year's markets have been a story without much volatility, but for investors to fall asleep at the wheel now could prove dangerous.

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