



**ascencia**<sup>TM</sup>  
INVESTMENT MANAGEMENT

## Weekly Investment Update

### The week in review

- Equity markets settle down
- UK inflation remains at 3%
- US announces its infrastructure plan
- Oil price retreats from 12 month high

Although volatility returned last week, it is worth noting that the jump in equity volatility was not accompanied by similar moves in defensive asset classes.

Reassuringly for investors, the fundamental global economic backdrop remains strong. We believe risk management via prudent portfolio construction remains crucial over the longer term.

The UK's inflation rate (consumer price index) year on year remained at 3% in January, according to the Office for National Statistics (ONS), thereby defying economists' expectations for a slight fall. The likelihood of an interest rate hike in May has now risen.

In the UK, the Bank of England's Haldane said "some further tightening of policy might be needed over the period ahead." He added interest rates in the UK "won't remotely go back to levels we've seen in the past, but nonetheless keeping the cost of living under control is....the single

best and most important thing we can do to help the economy".

The Stoxx Europe 600 Index moved towards its best week in more than a year, as European stocks extended their rally, along with euro area GDP growth matching estimates at 2.7% year on year. In Germany, GDP growth remained in line at 0.6%, quarter on quarter. Chancellor Merkel stated that the 'black zero' fiscal policy is a trademark of her party and will continue to be in the future.

President Trump released his \$1.5tn infrastructure plan, while also proposing a \$4.4 trillion fiscal budget for 2019. The US President added that he would push for a "reciprocal tax" on imports against higher tariff countries, without providing details, again raising fears of a protectionist trade war. Treasury yields marched higher, with 10 year yields touching 2.903%.

The oil price (WTI) fell to \$62 per barrel from \$70 per barrel, as US shale production rose. The US Department of Energy reported that US daily oil production had reached above 10 million barrels per day for the first time since 1970.

Japan's Yen strengthened sharply, climbing to a 15 month high of 106.84 against the US\$. The Asian markets finished the week strongly with the Nikkei and Hang Seng positive, with the Chinese market closing until 21<sup>st</sup> for lunar New Year holidays.

### Next Week

Monday - US market shut for Presidents day

Tuesday - European data releases on Tuesday

Thursday - Chinese markets reopen

Global Markets	2018 YTD %*
<b>FTSE 100</b>	<b>-5.52</b>
<b>S&amp;P 500</b>	<b>2.33</b>
<b>Dax</b>	<b>-4.08</b>
<b>Nikkei 225</b>	<b>-5.71</b>
<b>Hang Seng</b>	<b>4.02</b>
Fixed Income	Yield %
<b>UK 10 Yr</b>	<b>1.61</b>
<b>US 10 Yr</b>	<b>2.89</b>
Commodities	2018 YTD %
<b>Gold per oz</b>	<b>4.33</b>

Source: FE Analytics/ Bloomberg.com

\*Local currency

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