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INVESTMENT MANAGEMENT

Weekly Investment Update

The week in review

- It was a notable week for U.S. government bond issuance
- U.K unemployment increased from 4.3% to 4.4%
- Prime Minister Theresa May faced another Brexit headache
- Emerging Markets Equity - South Africa Update

It was a relatively quiet week, with both US and China equity markets being closed on Monday for public holidays.

Federal Reserve minutes revealed that almost all board members think US inflation will rise to the central bank's 2% target over the medium term. Most policymakers also believed that a stronger outlook for economic growth raised the likelihood that further gradual policy tightening would be appropriate.

In the US, February's composite Purchasing Managers Index (PMI) came in higher at 55.9 (vs. 53.8 previously).

A notable feature of the week was the degree of U.S. government bond issuance, where the US Treasury sold US\$179bn of new debt at yields not seen since 2008. Investors are keeping an eye on

whether the deluge of bond supply might threaten fixed income prices. The benchmark US 10 year sovereign bond yield moved higher touching c.2.94%.

U.K unemployment rate rose slightly from 4.3% to 4.4% in Q4 2017, its first increase in two years. There was also early signs of wage growth, average weekly earnings rising 2.5% from a year earlier.

Prime Minister, Theresa May faced another Brexit headache, as hard "Brexiters" in her Conservative Party demanded a clean Brexit. 62 backbenchers called for Theresa May to reconsider her plan of a two year transition period.

The Euro area's composite PMI came in at 57.5 (vs. 58.4 expected). At the European Central Bank, finance ministers nominated the Spanish Economy Minister, Luis de Guindos, to be the next Vice President of the ECB, thereby putting Spain back on the ECB's executive board after a six year absence.

On Europe's political front, Italy has its national election on 4th March. Analysts are concerned about the risks of a hung parliament in one of Europe's key economies.

In South Africa, President Jacob Zuma resigned after nine years in power. The leader of the African National Congress (ANC) party, Mr.

Cyril Ramaphosa, was elected as the new president and is widely regarded as business friendly, South Africa's FTSE JSE All-Share Index rose over 6% over the week (local currency) and the Rand appreciating by 4%, reaching its highest level against the US dollar since Feb 2015.

In terms of commodities, oil (West Texas Intermediate) rose over the week, following the latest EIA report that showed an unexpected drop in US crude inventories. Elsewhere, precious metals strengthened, most notably gold and silver.

Global Markets	2018 YTD %*
FTSE 100	-5.02
S&P 500	1.33
Dax	-3.18
Nikkei 225	-4.52
Hang Seng	3.73
Fixed Income	Yield %
UK 10 Yr	1.54
US 10 Yr	2.90
Commodities	2018 YTD %
Gold per oz	2.39

Source: FE

*Local currency

Analytics/

Bloomberg.com

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