

### The week in review

- Benchmark sovereign bond yields rise
- Equity markets retreat into month end
- PM May signs trade deal with China
- Trump's State of the Union address
- Europe's economy remains strong

**Bond prices sold off** sharply over the week. The US 10 year Treasury yield increased to 2.79%. Bonds prices appeared to be falling due to strong economic growth and rising inflation expectations linked to a higher oil price. Inflation is famously bad for bonds, as it erodes the future value of money. Investors are now worried that the c.30 year winning streak for bonds may be nearing its end.

**Equities also retreated** at the month's end. Equities suffered profit taking, amid higher interest rates expectations and concerns over valuations. Interestingly, Hong Kong and US indices outperformed the FTSE 100 year to date.

**Prime Minister May** signed a bumper trade deal with China worth £9bn, which is expected to create 2,500 jobs in UK .

**State of the Union address** - President Trump delivered his first State of the Union address, marking an end to his first year of presidency. The address focused on five main

policy areas: jobs and the economy, infrastructure, immigration, trade and national security.

**The eurozone economy** finished 2017 on a high, with the region's economy expanding by 2.5%, higher than anticipated by the European Central Bank. The region's economic confidence index also closed at a 17 year high.

**The Federal Reserve** interest rate meeting- Janet Yellen chaired her last meeting , having successfully hiked rates three times in 2017. The FOMC upgraded its forecast for US inflation, and warned of further rate hikes. The Federal Reserve voted unanimously to keep its key interest rate unchanged at 1.25-1.5%. Jerome Powell now takes over the role.

Global Markets	2018 YTD %*
FTSE 100	-2.5%
S&P 500	5.64%
Dax	1.03%
Nikkei 225	3.17%
Hang Seng	9.13%
Fixed Income	Yield %
UK 10 Yr	1.56 +0.15
US 10 Yr	2.79 +0.15
Commodities	2018 YTD %
Gold per oz	3.3%

Source: FE Analytics / Bloomberg.com \*Local currency

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