

The week in review

- Global equities fall sharply before stabilising
- Investor fear index rebounds
- Jerome Powell sworn in as the 16th Federal Reserve Chairman
- Sterling's rally peters out
- A coalition German government is formed

Global equities fell dramatically, led lower by US market indices, having touched extended highs in January. Reasons for the sell-off were uncertain, however, commentators cited fears over higher prospective interest rates, a 2.9% year on year increase in average US hourly earnings and rising sovereign bond yields. Institutions were also concerned that longer term inflationary pressures may now be building in the US economy.

With markets appearing to have got ahead of themselves, fuelled by excessive investor confidence, the market sell was a typical reaction, sending the investment industry's recognised risk/fear gauge (known as the VIX index) sharply higher. The era of sustained market calm may now be a thing of the past.

In the US, Jerome Powell was sworn in as the new Federal Reserve Chairman, while the US Senate announced a two year budget deal and the suspension of

the federal debt ceiling until March 2019. Sterling trended lower, on the back of ongoing political uncertainty regarding Prime Minister May's tenure and news that the UK's Services Purchasing Managers Index, which tracks reported output growth, had fallen to its lowest level since 2016.

In Germany, Ms. Merkel's CDU party and the SPD reached an agreement to form a coalition government.

Global Markets	2018 YTD %*
FTSE 100	-6.68%
S&P 500	-6.61%
Dax	-6.04%
Nikkei 225	-4.17%
Hang Seng	-1.65%
Fixed Income	Yield %
UK 10 Yr	1.57 +0.01
US 10 Yr	2.89 +0.10
Commodities	2018 YTD %
Gold per oz	1325 +1.6%

Source: FE Analytics / Bloomberg.com *Local currency

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