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INVESTMENT MANAGEMENT

Weekly Investment Update

The week in review

- Federal Reserve Chairman’s hawkish testimony
- US trade protectionism accelerating
- Merger & acquisition activity gathers pace
- Geo-political – Italian election

This week new Fed Chair Powell undertook his inaugural testimony before the House Financial Services and Senate Banking Committees. The testimony was fairly hawkish. 10 year US Treasuries spiked through 2.9%, eventually closing at 2.894%.

US equities declined after President Trump announced his intention to impose a 25% tariff on steel and 10% tariff on aluminium imports. Unsurprisingly US industrial related stock prices reacted negatively.

The US’s core Personal Consumption Expenditures Price Index (PCE), which is the Federal Reserve’s preferred inflation indicator, showed a gain of 1.5% year on year in January.

Turning to Brexit, Theresa May outlined her strategy of “managed divergence” with EU standards,

however, European Council President, Donald Tusk, called the proposition “pure illusion”. Meanwhile, the UK opposition leader, Jeremy Corbyn, confirmed the Labour party’s support for staying in a customs union with the EU, post Brexit.

In terms of merger and acquisition activity, Sky plc, the satellite broadcaster, rose as much as 20% after US based Comcast made a surprise bid for the U.K.’s biggest pay tv company. Comcast’s bid of £12.50 per share is well in excess of the £10.75 per share that was offered by 21 Century Fox Inc. Elsewhere, both UK retailers, Toys R US and Maplin fell into administration.

In Europe, the Euro area’s headline CPI was 1.3% year on year. Economic confidence in the eurozone eased in February, but remained at historically elevated levels, according to the European Commission. Its economic sentiment indicator came in at 114.1, down from 114.9 the previous month.

This Sunday sees the Italian election, where voters will choose the next government for the Eurozone’s third largest member state. Most analysts anticipate the return of another multi-party government, but its prospective shape and political bias is unclear.

In China, the Party’s Central Committee announced it is seeking to change the Constitution to allow its leader to serve more than ten years, potentially enabling President Xi to stay beyond 2023.

Bank of Japan’s Governor Kuroda noted the Japanese economy was expanding smoothly and that it was essential for the BOJ to continue monetary stimulus,

Turning to commodities, oil price (WTI) fell, as the IEA warned about explosive growth in US output. Elsewhere, precious metals weakened and other base metals retreated as the US dollar firmed.

Global Markets	2018 YTD %*
FTSE 100	-5.92
S&P 500	0.39
Dax	-5.29
Nikkei 225	-4.57
Hang Seng	3.99
Fixed Income	Yield %
UK 10 Yr	1.44
US 10 Yr	2.84
Commodities	2018 YTD %
Gold	0.73

Source: FE Analytics/
Bloomberg.com *Local
currency

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