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INVESTMENT MANAGEMENT

Weekly Investment Update

The week in review

- US imposes tariffs on steel and aluminium
- ECB policy unchanged
- Brexit – financial services a sticking point
- Italy - a hung parliament
- Germany- coalition formed
- UK retail continues to struggle

Global equities fell initially before recovering somewhat, after U.S. President Donald Trump said the United States would impose tariffs on imported steel and aluminium followed by the resignation of Trump economic advisor, Gary Cohn. The announcement prompted worries about a global trade war.

The concerns sparked a broad sell-off in Europe, weighing especially on the export-oriented German DAX index. Markets were concerned about retaliatory moves from major trade partners such as China, Europe and Canada. US manufacturing stocks also fell, particularly companies exposed to metal prices such as General Motors, Caterpillar and Boeing.

The European Central Bank kept all its main policy settings unchanged and reiterated that its programme of asset purchases may run past September, if required. European

Central Bank chief, Mario Draghi, signalled that the central bank's exit from quantitative easing would be gradual.

UK's Chancellor of the Exchequer, Philip Hammond, announced that a post-Brexit trade deal with the EU must include an agreement on financial services, saying it is in both sides' mutual interest, however, EC President, Donald Tusk, is expected to make clear a deal on finance is off the table

Italy faces a prolonged period of political instability, after voters delivered a hung parliament on spurning traditional parties and flocking to anti-establishment and far-right groups in record numbers, creating a dilemma for the European Union.

In Germany, the political stalemate ended after the SPD voted in favour of forming a new coalition government with Ms Merkel's CDU, paving the way for her to be re-inaugurated as Chancellor by mid-March.

Further signs the UK high street is struggling was provided by New Look's (the fashion retailer) announcement of the impending closure of 60 of its UK stores, potentially putting 1,000 jobs. On a more positive note, however, Rolls Royce, reported on Wednesday that its profits in 2017 jumped 25% to £1.1 bn.

In Asia, China's February Caixin composite Production Manufacturing Index (PMI) came in at 53.3 and Japan's composite PMI was reported at 52.2. The Bank of Japan's Kuroda confirmed that he would keep Japan's financial conditions accommodative and seek to achieve inflation of 2% by 2019.

Within commodities, oil (WTI) rose in price, partly due to a production disruption at Libya's Sharara oil field.

Global Markets	2018 YTD %*
FTSE 100	-5.44
S&P 500	2.72
Dax	-4.01
Nikkei 225	-6.14
Hang Seng	2.72
Fixed Income	Yield %
UK 10 Yr	1.49
US 10 Yr	2.88
Commodities	2018 YTD %
Gold	1.79

Source: FE Analytics/
Bloomberg.com *Local
currency

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