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INVESTMENT MANAGEMENT

Weekly Investment Update

The week in review

- UK inflation falls to 2.7%
- Fed to increase rate by 0.25% to 1.75%
- President Trump imposes tariffs on China
- Vladimir Putin secures another 6 year term
- G20 warns against protectionism

The ECB reiterated that the Euro area is experiencing “robust expansion” and the decision to reduce QE should be seen as a sign of confidence. They added further that “there is some kind of welcome alignment of stars between the economic background, market expectations and the convergence of those market expectations towards our own views within the Governing council”.

The week started with large tech stocks including the FAANG names falling around -2.90% which caused the Nasdaq to tumble -1.84%. This market fall was seen across many major global indices, with the S&P 500 (-1.42%), Stoxx 600 (-1.07%) and DAX (-1.39%) all producing negative returns.

Away from the stock markets, there was some positive news to come from the latest Brexit negotiations with the UK and EU agreeing to the terms around a 21-month transition

period. This will kick in on the Brexit date of 30th March 2019.

Over at the G20 meetings, most global finance chiefs warned against protectionism with the BOJ Governor Kuroda noting “the G20 will continue to emphasize the importance of free trade” while France’s Finance Minister Le Maire reiterated that there will only be losers in a trade war and that EU members want a full exemption from US steel and aluminium tariffs.

In the UK, CPI data for February was slightly lower than expected. Year on year CPI fell from +3.0% to +2.7%. The BoE expects wage growth to reach 3% by the end of Q1. It has been noted that wage growth has only ever reached 3% once in the last nine years.

Sterling had a big week, after wage growth rose quicker than expected in January which saw the pound rally strongly against the USD. The latest market data, from the ONS, showed the unemployment rate falling as average earnings rose quicker than expected.

The Fed Chair, Jerome Powell, grabbed the headlines this week with the Fed’s unanimous decision to take the Fund rates from 1.50% to 1.75%. The Fed also raised the outlook for GDP growth to 2.7% in 2018 and 2.4% in 2019, up from 2.5% and 2.1%, respectively.

President Trump has imposed up to 25% tariffs on as much as \$60bn in annual imports from China.

It was confirmed that Vladimir Putin secured another victory in Russia’s presidential election with nearly 77% of the votes which will see him serve another 6 year term.

Oil prices have risen around the Saudi plans for OPEC and Russian led production cuts which have been extended and to tighten further in 2019. Gold has risen to a two week high which confirms it’s status as a safe haven asset.

Global Markets	2018 YTD %*
FTSE 100	-8.63
S&P 500	-0.81
Dax	-5.99
Nikkei 225	-5.15
Hang Seng	4.19
Fixed Income	Yield %
UK 10 Yr	1.45
US 10 Yr	2.84
Commodities	2018 YTD %
Gold	1.75

Source: FE Analytics/
Bloomberg.com

*Local currency

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