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INVESTMENT MANAGEMENT

Weekly Investment Update

The week in review

- Market volatility continues globally
- Sovereign bond yields compress
- Merger and acquisition activity prevalent
- A year to go until Brexit

It was a particularly volatile week for equity markets. After last week's falls, leading US indices recovered temporarily, before falling again. The broader risk off tone was firmly illustrated by the fall in the Nasdaq index (that includes 10 of the largest global technology companies). Market undulations aside, US GDP Q4 growth was revised up more than expected to +2.9% year on year annualized. The US economy is firing on all cylinders.

Elsewhere export focused indices similarly retreated, most notably Germany's DAX and Japan's Nikkei. It is also noteworthy, the Stoxx 600, has declined by over 10% since its January high. Over in Asia, China's Shanghai Composite index was down over 3%. It is difficult to find a market which is positive year to date.

Merger and acquisition activity continued unabated. Shares in Shire Plc shares jumped more than 20%, after Japan's Takeda Pharmaceutical Co said it was considering a bid for the company. British pharmaceutical company, Glaxosmithkline also announced it was buying out Novartis from their healthcare joint venture.

With a year to go to the U.K.'s exit from the European Union, PM Theresa May hinted that the post-Brexit transition period may end up being longer than expected due to difficulties in establishing a new customs regime and avoiding a hard border with Ireland.

On the growing theme of protectionism, a more diplomatic tone out of the White House was witnessed. US Treasury Secretary Mnuchin stated that he was hopeful that the US and China could come to an agreement that would avoid the need to impose the tariffs. However, China's Vice Premier Liu He, confirmed that China may make an official complaint to the WTO about Trump's steel and aluminium tariffs,

In Europe, the ECB's Weidmann reiterated that Quantitative Easing should be scaled back as soon as eurozone inflation picks up. The ECB's Nowotny stated they should be able to cut stimulus after September. Economic data in Europe was softer than expected.

Within fixed income, the increase in equity market volatility unsurprisingly saw a fall in bond yields, indicating investor demand for safe haven assets. The US 10 year Treasury yield fell to 2.75% for the first time since February 5th, before returning to 2.77%. German Bund yields also crept below 0.50% for the first time since January.

Elsewhere, China confirmed North Korea's leader Kim Jong Un had visited Beijing, meeting with China's President. Local Chinese press reported that the issue of denuclearization of the Korean Peninsula could be resolved.

Ahead of the Easter break, institutional investors will be debating whether recent volatility is going to be short lived or a period of something more prolonged.

Global Markets	2018 YTD %*
FTSE 100	-7.42
S&P 500	-2.25
Dax	-7.23
Nikkei 225	-7.62
Hang Seng	0.68
Fixed Income	**Yield %**
UK 10 Yr	1.36
US 10 Yr	2.77
Commodities	**2018 YTD %**
Gold	1.96

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

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