Weekly Investment Update

The week in review

- US and China trade conflict worries recede
- US 10 year Treasury yield moves above 3%
- European Central Bank leaves interest rates unchanged
- Oil price touches US$75 per barrel, its highest level since November 2014

Concerns over the sustainability of the economic cycle lingered, as the US industrial sector underperformed the S&P 500 index. Caterpillar, the excavator company, considered, a bellwether of US industrial demand and a barometer for global growth closed down after it commented that Q1 was likely to be the high water mark for the year.

US equities rallied late in the week after strong corporate earnings from Amazon and Facebook.

On the protectionism theme, US - China trade tensions appeared to ease as the US Treasury Secretary Mnuchin said he was cautiously optimistic on reaching a trade agreement with China and that a trip to China is under consideration.

Brexit news was back in vogue with the UK government facing a vote in the House of Commons regarding the UK's future participation in the EU customs union. The motion called for the government to seek an effective customs union with the EU27 after Brexit.

Turning to the UK equity market, Capita, the troubled outsourcing group, launched a £701m rights issue to repair its balance sheet, as losses continued to widen. It is hoped that it will enable Capita to execute a new business strategy to strengthen the group.

The European Central Bank left euro area interest rates unchanged, with ECB President, Mario Draghi commenting that an ample degree of monetary stimulus remains necessary for underlying inflation pressures to continue to build up. Elsewhere, Euro zone purchasing manager index data showed that the Euro area continued to grow. The purchasing managers index (PMI) for the Eurozone was reported at 55.2. Germany's PMI was positive at 58.1 vs. 57.5 expected, while France's manufacturing reading was closer to expectations at 53.4 vs. 53.5.

It has been noteworthy that US dollar strengthened this week after a period of weakness. The USD currency index closed at the highest level since mid-January. In contrast, the safe haven Swiss currency hit a three year low.

Within in fixed income, the yield on the US 10 year Treasury finally moved above the much vaunted 3% level this week, ending at 2.97%. The 3% level, which was last touched in 2014, is seen by institutional investors as a line in the sand that would mark the end of the three decade bull market in bonds.

On the commodity front, the oil price hit US$75 per barrel, its highest level since November 2014. A rise in geopolitical tensions appears to have been the driver of prices, with concerns mounting over whether the Trump administration will withdraw from the 2015 Iran nuclear deal, which he called "insane". Furthermore, OPEC said supply cuts could extend into 2019.

Global Markets	2018 YTD %*
FTSE 100	-2.02
S&P 500	0.15
Dax	-2.88
Nikkei 225	-1.96
Hang Seng	0.74
Fixed Income	**Yield %**
UK 10 Yr	1.45
US 10 Yr	2.97
Commodities	**2018 YTD %**
Gold	0.78

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

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