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INVESTMENT MANAGEMENT

Weekly Investment Update

The week in review

- Federal Reserve holds interests unchanged
- Amber Rudd quits as Home Secretary
- UK GDP figures falls short of estimates
- USD continues to strengthen
- Eurozone inflation falls short of forecast

The Federal Reserve kept interest rates unchanged, but hinted that they see economic activity and inflation heating up more than previously thought. A rate increase in June looks much more likely, and today's statement is consistent with two more rate increases in the second half of the year, for a total of four in 2018. Turning to the S&P 500, 268 companies have reported their first quarter results so far, this representing 54% of the market. Further to this, GDP figures were announced for the first quarter being stronger than expected at 2.3% vs. 2.0% expectations.

In the UK, PM May's ally, Amber Rudd, resigned as the Home Secretary, which could further add to recent Brexit uncertainties. It has been announced that Sajid Javid will take over as Home Secretary. Issues around the Irish Border increased, as EU's Chief Brexit negotiator, Barnier, warned that

"until we reach this agreement and operational solution for Northern Ireland...there is a risk, a real risk" of negotiation talks collapsing. The UK's Brexit Secretary Davis said "we've put forward proposals... and look forward to making progress this week". The preferred option for the UK is a new free trade agreement that would avoid the need for border checks post Brexit.

UK GDP figures for Q1 fell below expectations at 1.2% vs.1.4%, which marked the lowest reading since the end of 2012. Sterling fell by nearly 1% in response.

Sainsbury's confirmed its plan to merge with Asda in a deal that will see Asda's current owner, Walmart, taking a stake of 42% in the group. Sainsbury's, which is the UK's second-largest grocer, is looking to merge its operations with Asda, who are the third-largest. This is in order to better compete with Tesco, the UK's largest grocer, and also discounters like Aldi and Lidl which have grown substantially in recent years.

In the Eurozone, inflation in April fell to 0.7% vs 0.9%, despite an increase in energy costs. GDP for the Eurozone was announced at 2.5% in the first quarter, a drop from the 2.8% growth seen in the last quarter of 2017. The European Commission kept their latest forecast for 2018 and 2019 unchanged, with GDP expected to

grow by 2.3% and 2% respectively. The ECB's Praet mentioned that temporary factors may also be at work due to recent easing in economic indicators. He also restated that inflation remains subdued and that monetary stimulus is still required.

Turning to commodities, WTI oil jumped to new multi-year highs, in part as Israel's PM Netanyahu said Iran lied about never having a nuclear weapons program.

Global Markets	2018 YTD %*
FTSE 100	-0.91
S&P 500	-1.23
Dax	-1.41
Nikkei 225	-1.28
Hang Seng	1.81
Fixed Income	Yield %
UK 10 Yr	1.38
US 10 Yr	2.94
Commodities	2018 YTD %
Gold	0.52

Source: FE Analytics/
Bloomberg.com

*Local
currency

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