Weekly Investment Update

The week in review

- Bank of England leaves UK interest rates unchanged
- UK inflation falls to 2.5%
- US unemployment rate falls to 3.9%, a 17 year low
- President Trump withdraws from Iran Nuclear accord
- Merger & acquisition activity accelerates

The Bank of England (BoE) downgraded its predictions for UK inflation and economic growth in Q2, as the prospects for the UK economy remain clouded by Brexit uncertainty.

The UK's Consumer Prices Index (CPI) fell year on year to 2.5% in March. On Thursday the Monetary Policy Committee voted 7-2 to keep interest rates at 0.5%, anticipating inflation would fall back to its target of 2% more quickly than anticipated. However the BoE Governor, Mark Carney, stated that a rate hike is likely by the end of the year as medium term growth forecasts look positive. Elsewhere, Halifax that revealed UK house price growth unexpectedly eased in April.

US unemployment figures were released, falling to 3.9% in April from 4.1%, reaching a 17 year low.

Merger and acquisition activity, a prominent investment theme for 2018, remained prevalent with Japan's Takeda Pharmaceuticals and Shire agreeing a recommended £46bn takeover offer.

Virgin Money also received a takeover approach from Clydesdale and Yorkshire Bank owner CYBG valuing the business at c. £1.6bn.

At last Royal Bank of Scotland found some resolution to its financial crisis related woes, agreeing to pay US$4.9bn to settle a US Department of Justice probe into its issuance and underwriting of US residential mortgage-backed securities in the run-up to the 2008 financial crisis.

In Europe, Italy's benchmark FTSE MIB Index fell over the week, after the leader of the populist Five Star Movement rejected the idea of a non-partisan prime minister, thereby threatening a new round of elections in the coming months and putting political uncertainty back on the agenda. Slowing euro-area growth caused the euro to touch fresh 2018 lows against the dollar.

Emerging markets developments caught the eye over the week, with Argentina in particular being centre stage. Argentina found itself in a monetary crisis, finding itself having to raise its interest rates to 40%.

Over in government bonds, the benchmark 10 year US treasury finished back just below 3%, at 2.95%.

Within commodities the oil price proved volatile responding to rapid geo-political news flow, rising to above its peak reached in November 2014.The catalyst proved to be President Trump's withdrawal from the Iran nuclear accord, compounded by a larger than expected decline in US crude supplies.

Despite geo-political developments, precious metal prices were broadly flat, while other base metals firmed slightly.

Global Markets	2018 YTD %*
FTSE 100	2.00
S&P 500	2.31
Dax	1.18
Nikkei 225	-1.18
Hang Seng	3.48
Fixed Income	**Yield %**
UK 10 Yr	1.42
US 10 Yr	2.95
Commodities	**2018 YTD %**
Gold	0.83

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

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