Weekly Investment Update

The week in review

- FTSE 100 closed yesterday at a new record of 7,787
- UK average wages surpass inflation
- UK unemployment remains steady at 4.2%
- US 10yr Treasury yield moves to a 7 year high
- Brent crude oil trades at its highest level since December 2014

UK weekly wages were up +2.9%, growing at the fastest pace in almost three years. This positive news was welcomed by UK households, with wages growing at a faster rate than inflation. Family finances found relief from the squeeze that had been felt post the EU referendum in June 2016.

UK unemployment rate remained at 4.2%, with employment figures rising to 32.3m, the highest number since records began in 1971.

This robust data is likely to lead the Bank of England to raise rates in August. This view was confirmed by Howard Archer, chief economic advisor to the EY Item Club, commented that on balance, the combination of robust employment growth, falling unemployment and stronger underlying earnings growth - as well as a clear relapse in productivity in the first quarter - looks supportive to a Bank of England interest rate hike in August.

However, UK productivity relapsed in the first quarter of 2018 after an improved second half of 2017, with output per hour dropping 0.5% after gains of 0.7% and 1.0% in previous quarters.

Over in the US, President Trump seemed to partly reverse the sanctions placed on ZTE, China's second largest telecom company, as he and China's President Xi worked together to find a resolution. Trade talks might come back to the fore with China's Vice Premier traveling to Washington to continue talks with Treasury Secretary Steven Mnuchin shortly.

The 10 year US Treasury yield touched its highest level for seven years, before closing at 3.1% .It is worth noting that the US has the highest 2 year, 5 year and 10 year yields in all of the G10 developed nations.

Chinese data was a mixed bag with April retail sales at 9.4% vs. 10.0% and fixed asset investment came in at 7% vs. 7.4%, both lower than expectations. However industrial production rose above consensus at 7% 6.4% expected.

The weakness in emerging market currencies was prevalent over the week with currencies of Colombia, South Africa, Turkey, Chile and Poland all falling between 1% to 2%. Turkey's lira continued its recent weakness, as President Erdogan suggested that he would take more control of monetary policy if he won an election next month. Argentina's Peso has also depreciated a remarkable -13.33% so far in May, as the country seeks a bailout from the International Monetary Fund.

Within commodities, crude oil rose above $80, for the first time since December 2014, principally due to a decline in US crude oil inventories and continued geo-political tensions.

Global Markets	2018 YTD %*
FTSE 100	3.25
S&P 500	2.27
Dax	1.89
Nikkei 225	0.32
Hang Seng	4.19
Fixed Income	**Yield %**
UK 10 Yr	1.54
US 10 Yr	3.10
Commodities	**2018 YTD %**
Gold	-1.46

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

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