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INVESTMENT MANAGEMENT

Weekly Investment Update

The week in review

- UK inflation falls to 2.4%
- UK Q1 2018 growth remains muted
- FTSE 100 index retreats from record highs
- US puts a potential China trade war on hold
- President Trump cancels North Korea summit

In April, UK inflation (CPI) fell to 2.4% in April from 2.5% in March, thereby touching its lowest level since March 2017. The fall in inflation provided a further relief to families in terms of real income growth. Furthermore, the Office for National Statistics reported that UK GDP growth remained at 0.1% in the first quarter, its slowest growth rate since 2012.

Over the week, the FTSE 100 index retreated from its all time high. Again, the challenges on the UK high street were brought to the fore by one of the UK's most well know retailers, Marks & Spencer (M&S). The company reported a 62% fall in its annual profits and the planned closure of 100 stores by 2022.

Elsewhere, the US equity market rallied, as US-China trade tensions eased. There were signs that the US was putting a potential trade war on hold, after a positive joint statement highlighted China's willingness to cut its trade surplus with the US by US\$200bn. The US

dollar rose to a four month high against sterling.

In Europe, the euro was particularly weak, after a negative data surprise. The Eurozone composite Producers manufacturing index (PMI) fell from 55.1 to 54.1, its lowest reading in 18 months. There are growing fears that the eurozone's broad based economic recovery may be faltering. Uncertainty over the formation of an Italian Government further undermined investor confidence.

In Italy, the Five Star Movement and the League reached an agreement to form a government, but have yet to decide on a prime minister. Furthermore, markets were surprised by the new government's proposed economic measures that could have a significant impact on Italy's sustainability of public debt. Any additional signs of discord in the eurozone are likely to be negative for the euro.

Within fixed income, the UK's 10 year gilt yield finished at 2.97%, after the Bank of England's Governor Carney told Parliament that it was appropriate to assess the UK's economic outlook in light of the country's weak GDP reading for first quarter, while noting that it was more likely to have been due to temporary economic factors.

The US's 10 year Treasury yield retreated closing below 3% at 2.97%.

On the geo-political front, although North Korea and Italy continued to focus investors' minds, Turkey's economic woes gathered pace, as the country's currency, the lira, had its worst day since October 2008, actually reaching its lowest level on record versus the dollar.

Within commodities, oil (WTI) closed the week down at US\$70, while gold rallied to \$1302 per ounce due to rising geo-political risks.

Global Markets	2018 YTD %*
FTSE 100	2.34
S&P 500	2.58
Dax	-0.13
Nikkei 225	-1.44
Hang Seng	3.85
Fixed Income	Yield %
UK 10 Yr	1.37
US 10 Yr	2.97
Commodities	2018 YTD %
Gold	-0.19

Source: FE Analytics/
Bloomberg.com

*Local
currency

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