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INVESTMENT MANAGEMENT

## Weekly Investment Update

### The week in review

- Spain sworn in new PM after vote of no confidence
- US Macro data beats estimated
- NASDAQ hits new record high
- The central bank in Turkey hike rates by 1.25%
- Oil price continues to rise following supply issues

The euro ended last week on the back foot after an interesting and volatile week. This was hampered by political uncertainty mainly from Spain and Italy. Spain was at the forefront of global news this week as the vote of no confidence against Prime Minister Mariano Rajoy passed through Parliament. This made Pedro Sanchez, of the socialist PSOE party, the new Prime Minister. It is believed that Sanchez may try to facilitate dialogue over the Catalan situation. Over in Italy, the new coalition seems to have watered-down its stance as it criticises the European Union, compared to its wish for withdrawal.

There is still uncertainty around the U.S. implementing \$50bn of tariffs on Chinese exports on 15<sup>th</sup> June. China may retaliate with tariffs on U.S. exports of similar value, which could add to the idea of a trade war between China and the U.S.,

having a significant impact on global economies.

In the U.S., the macro data releases were broadly stronger than expectations. Employment figures were solid in both the service sector and the manufacturing and construction sector, with services rising the most since February.

On the back of this positive data markets, for now, seem to be trading higher, with the Nasdaq rising to a new record high.

New data suggests that the UK economy is rebounding after a slow first quarter of 2018. The British Retail Consortium released figures showing sales rising 2.8% year on year, compared to the 4.2% reduction in April. These figures, along with strong wage growth will go a long way to encouraging the Monetary Policy Committee that the UK economy remains on track for modest growth. This was confirmed by the historically dovish Deputy Governor of the Bank of England Ramsden, who seemed more upbeat about further rate hikes being necessary.

There seems to be more political struggles on UK's involvement post Brexit. The Brexit Secretary Davis has threatened to quit if Prime Minister May continues her proposal to tie the U.K. into EU customs rules for a non-defined period of time. The issues lies

around the 'Irish backstop proposal' which would commit the U.K. to remain in the Customs Union unless a different solution can be found.

Over in Turkey, the central bank decided on Thursday to increase their primary interest rate by 1.25% to 17.75%, this resulted in the lira rallying by over 2%.

Oil prices declined on Wednesday after data showed an increase in U.S. inventories, however, it soon bounced back following a report that Venezuela is a month behind delivery.

Global Markets	2018 YTD %*
FTSE 100	-0.53
S&P 500	3.62
Dax	-2.02
Nikkei 225	-0.31
Hang Seng	3.47
Fixed Income	Yield %
UK 10 Yr	1.35
US 10 Yr	2.90
Commodities	2018 YTD %
Gold	-1.39

Source: FE Analytics/  
Bloomberg.com

\*Local  
currency

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