



**ascencia**<sup>TM</sup>  
INVESTMENT MANAGEMENT

## Weekly Investment Update

### The week in review

- The Federal Reserve increases its interest rate
- ECB announces the end of Quantitative Easing
- Brexit hits the headlines again
- Oil price retreats on the prospect of increased supply

The Federal Reserve increased its interest rate for the second time this year and guided to four total increases by the year end, as US unemployment continued to fall and inflation edged above its target. The Fed was motivated by US consumer prices rising at their fastest pace in more than six years, with the Consumer Price Index strengthening 2.8% annualized in May.

During the week, President Trump held a summit with North Korea's Kim Jong Un. Both signed an agreement, with President Donald Trump and North Korean leader Kim Jong Un pledging to work toward complete denuclearisation of the Korean peninsula.

In Europe, the ECB announced it would end its Quantitative Easy bond purchase programme by the end of the year. It added that the key ECB interest rate would remain at its present level at least until the summer of 2019. The euro tumbled in response.

Elsewhere, Italian risk assets rallied, after the country's new finance minister noted the coalition was committed to remaining in the Eurozone and wanted to boost growth through structural reforms. Italy's FTSE MIB rallied strongly, while the country's banks index posted significant gains.

Brexit politics hit the headlines again, as Parliament voted over key amendments to the European Union withdrawal bill. Ultimately, Prime Minister May won the House of Commons vote on amendments to Brexit legislation, having made personal guarantees to rebel lawmakers within the Conservative party.

In terms of UK economic data, expected UK industrial output data in April was worse than expected, while the UK's trade deficit also widened. as exports fell by more than imports. UK unemployment rate remained at 4.2%, its lowest level since 1975.

The tough UK high street took another victim, Poundworld falling into administration, putting more than 300 stores and 5,000 jobs at risk.

The US Nasdaq technology index reached another high, the risk on mood spilling into Asia, both Japan's Nikkei 225 and South Korea's Kospi indices advancing.

Within fixed income, the US 10 Treasury yield closed at 2.93% after failing to stay above 3%. Benchmark sovereign bond yields were mostly lower. The German 10y Bund also closing lower at 0.424%

Turning to commodities, WTI oil retreated, as Saudi Arabia's oil minister said it's "inevitable" that OPEC members will decide to boost supplies gradually when they meet in Vienna next week.

Global Markets	2018 YTD %*
FTSE 100	+3.27
S&P 500	+4.73
Dax	+1.83
Nikkei 225	-0.12
Hang Seng	+3.27
Fixed Income	Yield %
UK 10 Yr	1.3
US 10 Yr	2.9
Commodities	2018 YTD %
Gold	-0.28

Source: FE Analytics/  
Bloomberg.com

\*Local  
currency

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