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INVESTMENT MANAGEMENT

## Weekly Investment Update

### The week in review

- UK interest rate remains unchanged
- Trade tensions hurt risk appetite
- Sovereign bond yields fall
- Nasdaq touches a new high

The UK monetary policy committee decided to keep its interest rate unchanged, however, markets were slightly surprised that Bank of England's Chief Economist, Haldane, dissented for the first time since 2014 and voted for a rate hike (vote of 6-3).

In terms of Brexit, Theresa May achieved a crucial win that would give Parliament less control in future Brexit talks. However, sterling continued to fall versus the US dollar and euro. It is now approaching its November 2017 low. The Brexit headlines have certainly not helped, as increasing Brexit uncertainty unfolds.

International trade tensions began to hurt institutional risk appetite in global equity markets. European and Asian stocks fell across the board as the world's economies geared up for a potential trade war. The MSCI Asia Pacific Index showed notable weakness, while China's Shanghai Composite Index also closed sharply lower, touching levels not seen since September 2016.

Markets appeared worried that the US may impose additional tariffs on a further \$100bn of Chinese imports that may trigger another round of actions from China, potentially accelerating a trade war that would be much more damaging for both countries.

To compound matters, the EU also confirmed it would begin charging 25% higher import duties on US\$3.2bn of US goods in retaliation for the US steel tariffs.

Sovereign bond yields firmed on the back of flight to safety and continued dovish commentaries from the ECB. US 10 year Treasury yield closed lower at 2.91%, while German Bunds and UK gilt yield also fell.

In contrast, US technology stocks climbed higher, the Nasdaq index achieving another record high. Interestingly, investors believe this is one of the more immune areas of the market to a potential trade war. It's a similar story for the US domestically focused Russell 2000 index, which also closed at record highs. In contrast, the international, manufacturing heavy Dow closed lower.

Within emerging markets there was good news for Argentina and Saudi both countries being added to a major benchmark of emerging markets (EM) stocks by MSCI. The

news sent stocks in these markets soaring by as much as 5%.

Ahead of OPEC ministers meeting today, oil price volatility was evident, as Russian and Saudi Arabia both supported a gradual rise in output. However, there were signs that Iran, Venezuela and Iraq were going to object to Russia and Saudi Arabia's proposal for higher oil production, as it was felt it was a breach of the cooperation agreement. In terms of other commodities, base metals prices dropped due to increased trade tensions most notably copper, zinc and aluminium.

Global Markets	2018 YTD %*
FTSE 100	+1.27
S&P 500	+3.81
Dax	+2.71
Nikkei 225	-0.23
Hang Seng	-0.41
Fixed Income	Yield %
UK 10 Yr	1.32
US 10 Yr	2.91
Commodities	2018 YTD %
Gold	-2.56

Source: FE Analytics/  
Bloomberg.com

\*Local  
currency

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