ascencia™
INVESTMENT MANAGEMENT

Weekly Investment Update

The week in review

- Oil price touches year high
- EU purchasing manager index (PMI) re-assures
- UK housing market slows
- China equity market enters bear market territory
- Sovereign bond yields move lower

Oil rose to its highest level since December 2014, trading at above $73 per barrel. It is actually up 21% year to date. The price rise was driven by supply disruptions in Libya and falling US stockpiles.

Against this backdrop, OPEC agreed to raise production to alleviate potential tightness in the oil market in the latter half of 2018 with the goal of balancing the supply and demand.

Early in the week, European equities rallied helped by stronger oil prices and better than expected Purchasing Managers Index (PMI) data. June's PMIs were broadly stronger than market expectations, the euro area composite PMI rising to 54.8 vs. 53.9 expected.

Evidence of the UK's slowing housing market was provided by Countrywide's profit warning. Countrywide plc, the listed estate agent, is the UK's biggest estate agency and operates more than 55 high street brands including Bairstow Eves and John D Wood. Chief executive, Alison Platt, described the market as very tough.

Sterling reached a fresh 2018 low against the US dollar, as investor "Brexit" related worries gathered momentum, particularly with no apparent solution to the Irish border issue being found and Parliament having struggled with infighting over various elements of Brexit legislation

Equity markets globally underperformed, with the FTSE100, S&P 500 and technology heavy NASDAQ all down. The only bright spot, was the energy related sector, buoyed by the rising oil price.

It is noteworthy that Chinese equities have been one of the worst performing assets, with the Shanghai Composite index falling sharply this year. The poor returns appear to be related to trade fears the breakdown in relations between China and the US. Elsewhere in Asia, leading indices also traded modestly lower with Japan's Nikkei, South Korea's Kospi and Hong Kong's Hang Seng indices all down.

Turning to sovereign bonds, the risk off investor mindset spread into fixed income markets with the US 2 and 10 year Treasury yields reaching fresh lows for the year, as investors sought safe haven assets in light of growing geo-political risk. Across the board, sovereign bond yields have headed towards the lower end of their recent ranges.

The UK's 10 year sovereign bond yield closed the week at 1.275%, while the US 10 year sovereign bond yield fell to 2.85%.

In terms of precious metals, the traditionally safe haven gold is has been out of favour, its price down by 3.9% so far this year.

Global Markets	2018 YTD %*
FTSE 100	+1.39
S&P 500	+2.27
Dax	-5.39
Nikkei 225	-2.17
Hang Seng	-3.22
Fixed Income	**Yield %**
UK 10 Yr	+1.28
US 10 Yr	+2.85
Commodities	**2018 YTD %**
Gold	-3.99

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

Ascencia Investment Management • Frenkel House • 15 Carolina Way • Salford • Manchester • M50 2ZY • T +44 (0) 161 886 8000 • W www.ascenciaim.co.uk
Authorised and regulated by the Financial Conduct Authority   Registered in England and Wales No. 05010380
Ascencia Investment Management is a subsidiary of Frenkel Topping Group Plc and is authorised and regulated by the Financial Conduct Authority No: 409409