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INVESTMENT MANAGEMENT

## Weekly Investment Update

### The week in review

- UK economic data rebounds
- US economy maintains momentum
- Trade tariffs become reality
- Asian markets underperform over protectionism

The FTSE 100 moved up to 7,618, on the news that the UK's construction purchasing managers' index (PMI) had risen to 53.1, its highest level in seven months. Additional data revealed that UK dominant services industry also improved much more than expected last month, suggesting the British economy grew 0.4% in the second quarter of the year. The chances of the Bank of England raising interest rates in August have increased.

Elsewhere, Tesco announced a strategic alliance with French supermarket group, Carrefour, covering relationships with global suppliers, joint purchasing of own-brand products and goods not for resale, such as logistics. The deal follows the announcement of J Sainsbury's plan to merge with Asda.

There was re-assuring data from the US, the ISM manufacturing index coming in stronger than expected at 60.2 vs. 58.5 expected by analysts, just short of the 60.8

high water mark achieved in February 2018. US core inflation rate reached 2% the first time in six years. Correspondingly, the Eurozone's manufacturing PMI was reported at 54.9.

The US-EU trade conflict seemed set to broaden beyond steel and aluminium, with the US threatening to impose tariffs on EU car imports that would be felt particularly by the export-driven German car industry

Domestically, German Chancellor Merkel defused the potential destabilisation to her governing coalition by agreeing to new rules on immigration.

In the far east, Asian equity markets performed weakly, the MSCI Asia Pacific Index down 1.2% over the week, while China's Shanghai Composite Index continued its slump. The Chinese yuan fell to its lowest level in 11 months, with it being one of the worst performing currencies over June. Investor sentiment has turned negative ahead of the first round of tariffs on Chinese goods set to take effect today.

Similarly, Mexico's currency fell sharply, as the leftist Andres Manuel Lopez Obrador won Mexico's presidential election.

Government bonds firmed. The US 10 year Treasury bond yield closed

at 2.83%, while the UK 10 year gilt yield finished at 1.26%.

Turning to commodities, base metals prices fell, nickel, aluminium and copper demand declining over trade protectionist fears and weaker economic activity in the future.

The oil price (WTI) slid from its highest level in more than three years, after President Trump pressured Saudi Arabia to increase output. Interestingly, the MSCI World Energy Index rose in June by 1.3%, outperforming the MSCI World Index which was flat over the month (all in US dollar terms). For the year to June 30 2018, the MSCI World Energy Index is ahead of the MSCI World by almost 6%.

Global Markets	2018 YTD %*
FTSE 100	+1.09
S&P 500	+3.36
Dax	-3.44
Nikkei 225	-3.35
Hang Seng	-3.37
Fixed Income	Yield %
UK 10 Yr	+1.26
US 10 Yr	+2.83
Commodities	2018 YTD %
Gold	-3.72

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

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