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INVESTMENT MANAGEMENT

Weekly Investment Update

The week in review

- UK CPI data falls short of expectations
- President Trump and President Putin meet in Helsinki
- EU preparing rebalancing measures if trade dispute continues
- Oil posts its third weekly loss

Early on in the week the UK's May and June employment data was reported holding steady at 4.2% with weekly earnings confirmed as growing at +2.7%, in line with expectations. The likelihood of an interest rate hike increased to 82% having dipped below 50% last month.

Bank of England (BoE) Governor Mark Carney noted that not having a deal with the EU, post the UK's exit next March, could cause financial instability as the move towards a less integrated market could damage economic performance. Rolls-Royce CEO Warren East noted that if clear trading arrangements aren't made with the EU, the company may have to stockpile parts to ensure production continues in the fourth quarter.

UK inflation data surprised many with core CPI missing forecast notably at 1.9% vs. 2.1%. Also, headline CPI fell short of expectation to 2.4% vs. 2.6%. This has been as a result of declining prices for clothing and recreation, with retailer discounting prices to turn customers away from online shopping. Sterling reacted negatively to the news and dropped to a low of $1.301 (-0.80%) the lowest level since last November. A BoE rate hike next month is not quite a certainty as the inflation data adds a bit of uncertainty. However, other data in the UK has been fairly strong recently with market continuing to price in a greater than 80% change of a hike next month.

This week President Trump met his Russian counterpart President Putin for their first summit together, with the potential interference in the US election being the main talking point. The Chairman of the Federal Reserve Jerome Powell spoke at the semi-annual testimony on Tuesday, stating that the best way forward is to keep gradually raising interest rates. This was criticized by President Trump in an interview with CNBC, which had a knock-on effect on currency with USD falling around -0.50%.

Trade negotiations remained at the fore with the EU trade commissioner Cecelia Malmstrom hoping that EU President Juncker's visit to the US next week will ease the trade dispute, but warned if President Trump implements the car tariffs, they are preparing a list of rebalancing measures. The IMF have warned that if the tariffs with China escalate it could impact the global economy significantly losing around $430 billion, this represent around 0.50% of GDP.

Over in Asia, Chinese yuan hits a one year low hitting stock markets. This is as concerns of currency management could being the next factor in the trade negotiation with the US.

Commodities were generally hit hard this week, notably Oil and Gold. On Monday WTI Oil declined by -4.15% due to a potential increase of supply by Saudi Arabia. Gold slipped to a one year low due to continuing strengthening in the dollar.

Global Markets	2018 YTD %*
FTSE 100	+1.82
S&P 500	+6.00
Dax	-2.60
Nikkei 225	+0.69
Hang Seng	-3.30
Fixed Income	**Yield %**
UK 10 Yr	+1.20
US 10 Yr	+2.85
Commodities	**2018 YTD %**
Gold	-6.09

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

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