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INVESTMENT MANAGEMENT

Weekly Investment Update

The week in review

- EU/US trade relations improve
- Highly valued US technology stocks wobble
- FTSE 100 share buy backs prominent
- Oil ends three week losing streak

The likelihood of a trans-Atlantic trade war receded this week, after President of the European Commission, Jean-Claude Juncker's constructive meeting with US President, Donald Trump.

A compromise was reached, with the EU announcing it would increase imports of US liquified natural gas and soybeans, with both parties taking a wait and see approach to other tariffs, such as those on automobiles. Trump also said that the US and EU were working towards zero tariffs, while adding that the two sides would try to resolve US steel and aluminium tariffs imposed earlier this year.

The NYSE FANG Index fell over the week, Facebook contributing the most to that decline, the shares retreating almost 20% after disappointing user growth figures. Amazon provided some relief for investors as they announced record Q2 profits, which pushed the share price 3.20% higher.

UK company share buybacks were prominent, Royal Dutch Shell announcing a £19bn share buyback while, beverage maker, Diageo, also announced its own £2bn share buyback.

In the US, the composite purchasing managers index (PMI) slipped slightly to 55.9. It is noteworthy that the US data release included several references to pricing pressure, with output prices rising to their highest level since 2009.

Presently, US economists' consensus forecast suggest that US annualised GDP (economic growth) will accelerate to 4% in Q2, up from 2% in Q1. The US 10-year Treasury yield moved higher on Thursday as the European Central Bank left interest rates unchanged.

Turning to Europe, PMIs from the manufacturing sector proved to be reassuring, coming in above forecast at 55.1. In Germany, the July IFO survey was positive, coming in at 105.2 vs. 104.9 expected.

On the data front, Japanese Tokyo core CPI rose to 0.8% (from 0.7%), in a welcome continuation of the rare rise seen last month.

On the currency front, sterling underperformed, as markets reacted to negative Brexit news. EU Chief Negotiator, Michel Barnier, rejected the idea of a non-EU member collecting tariffs on behalf of the EU. The EU's rejection highlighted the time pressure facing the UK to come to an amicable trade agreement. Elsewhere, China's yuan continued to be weak, falling again, its longest decline since its 2015 devaluation.

Oil prices were slightly higher, with Brent up 0.8% to $74.51 a barrel, as tensions in the Middle East rose after the Yemeni Houthi militia attacked Saudi Arabian tankers yesterday, and this has prompted fears about supply.

It has been a mixed week for gold, finishing the week negatively as a result of the strengthening of USD and easing trade tension between the US and EU.

Global Markets	2018 YTD %*
FTSE 100	**+2.54**
S&P 500	**+7.25**
Dax	**-0.35**
Nikkei 225	**+0.76**
Hang Seng	**-1.33**
Fixed Income	**Yield %**
UK 10 Yr	**+1.29**
US 10 Yr	**+2.98**
Commodities	**2018 YTD %**
Gold	**-6.40**
Source: FE Analytics/ Bloomberg.com	****Local currency***

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