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INVESTMENT MANAGEMENT

Weekly Investment Update

The week in review

- S&P 500 touches a new high
- US/China tariffs become reality
- Brexit talks continue
- Euro-area growth rebounds
- Merger & acquisition activity prevalent

US economy continued to demonstrate robust economic growth on the back of supportive earnings results. The S&P 500 rallied to an all-time intra-day high, breaking the level set on January 26 earlier this year. Anecdotally, this week also marked the point of the longest ever US "bull" run without a bear market (defined as a 20% market drop).

In terms of data, the US composite purchasing manager s index (PMI) came in at 55.0, while US initial jobless claims declined by 2,000 to 210,000.

On the trade front, reciprocal trade tariffs between the US and China came into play. A 25% levy on US$16bn of imports is being imposed by both trading partners.

In terms of Brexit, Brexit Secretary, Dominic Raab, met his EU counterpart, Michel Barnier. Raab was quoted as saying "if the EU responds with the same level of ambition and pragmatism, we will strike a strong deal that benefits both sides, but, we must be ready to consider the alternative. We have a duty, as a responsible government, to plan for every eventuality."

The challenges facing the UK high street hit the headlines again. Mulberry, the fashion retailer known for its luxury handbags, warned that the collapse of House of Fraser would cost it £3m. Mulberry operates 21 House of Fraser concessions.

Elsewhere, positive European economic data re-assured, which helped the euro to appreciate against the dollar. The latest statistics revealed the highest Eurozone wage growth in the since 2013, accelerating to 1.7% year on year, while Q2 2018 growth increased to 2.2% annualised.

Additional good news came in form of Germany's composite PMI which rebounded, achieving its highest reading in six months of 55.7. France's economy also showed signs of recovery, with composite PMI rising to a four month high of 55.1.

Merger and acquisition activity remained prevalent, PepsiCo agreeing to buy Soda Stream for $3.2 billion. The acquisition confirmed PepsiCo's shift away from sugary drinks, which are proving less popular with younger consumers.

Turning to sovereign debt, the US treasury yield finished at 2.83%, while the UK 10 year gilt closed at 1.27%. Institutional investors continued to closely monitor the 10 year BTP Italian government bond, which rose to above 3%, after May's populist election result. Interestingly, Moody, the credit agency, decided to postpone its review of the country's sovereign rating to the end of October after the new budget is released.

Commodity markets recovered over the week, with Brent crude oil in particular, rallying sharply. Oil price strength was helped by US$ weakness and the fall in US crude inventories.

Global Markets	2018 YTD %*
FTSE 100	+1.67
S&P 500	+8.2
Dax	-4.27
Nikkei 225	-0.56
Hang Seng	-4.63
Fixed Income	**Yield %**
UK 10 Yr	+1.27
US 10 Yr	+2.83
Commodities	**2018 YTD %**
Gold	-7.63

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

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