Weekly Investment Update

The week in review

- S&P 500 touches a new high
- US reaches a new NAFTA (trade) agreement with Mexico.
- Brexit – conciliatory EU tones

US Q2 GDP data was revised up to 4.2% year on year, while August consumer confidence data came in stronger than expected at 133.4, its highest reading since October 2000.

The Nasdaq stock index passed through the 8,000 mark for the first time, underlining the dominant role of the US technology sector. The domestically oriented Russell 2000 also reached a new all time high, while the Dow rose, but remained just short of its January peak.

Investor optimism rose on the news that the US had reached a new NAFTA (trade) agreement with Mexico. Hopes also rose that Canada might join, after Canadian Foreign Minister and chief negotiator, Chrystia Freeland, joined the discussions. Mexico's benchmark index, the S&P/BMV index, rallied on the positive news, reaching its highest level since February. Elsewhere the MSCI EM index rebounded from an oversold level.

On the Brexit front, Prime Minister Theresa May, reiterated her view that no deal would be better than a bad deal for the UK. However, it appears that getting a Brexit agreement by the end of October is no longer seen as realistic by negotiators, with both sides now expecting talks to move into November.

EU negotiator, Michel Barnier, stated that the UK could be offered a rather exclusive deal, unlike any other, which helped sterling recover. Sterling climbed to a three week high. Meanwhile the German Finance Minister, Scholz, also offered a conciliatory stance.

Turning to Europe, Germany's August IFO business confidence survey improved to 103.8, its highest level since February. In particular, there was improvement in forward looking expectations, which bodes well for the latter part of 2018.

Elsewhere in Europe, Italian politicians escalated their rhetoric regarding potential budget conflict with the European Union. Deputy Prime Minister Di Maio, leader of the Five Star Movement, stated Italy had no intention of withdrawing from the union, but that "we will look at all measures in discussions regarding the European budget and will block what doesn't work for us." The 10 year Italian sovereign bond remained close to both its year to date high and four year high.

Over in emerging markets, news flow was dominated by falling currencies, specifically Turkey and Argentina, with the Lira and Peso both depreciating sharply again. Both countries are experiencing severe economic trouble.

Sovereign bond returns were mostly weaker. The US 10 year Treasury closed higher at 2.84% while the UK 10 year finished up at 1.45%.

Oil (WTI) recovered, rising to $69.73 per barrel, after Iran warned that if it was not allowed to use the Strait of Hormuz for its oil exports, it would halt the movement of all oil out of the region. The Strait of Hormuz is of significant strategic importance, as it is a choke point which sees 30% of all seaborne-traded crude oil pass through it annually.

Global Markets	2018 YTD %*
FTSE 100	**+0.9**
S&P 500	**+9.9**
Dax	**-3.3**
Nikkei 225	**+1.5**
Hang Seng	**-3.2**
Fixed Income	**Yield %**
UK 10 Yr	**+1.45**
US 10 Yr	**+2.84**
Commodities	**2018 YTD %**
Gold	**-7.35**

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

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