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INVESTMENT MANAGEMENT

Weekly Investment Update

The week in review

- Brexit headlines turn more positive
- UK base rate remains unchanged
- Italy offers budget compromise
- Oil price rises on supply fears

Brexit headlines turned more positive. The EU appeared ready to give Michel Barnier, the EU's Chief Negotiator, a mandate to close a Brexit deal. Barnier was quoted as saying it was "realistic" and "possible" to get a Brexit deal done by the end of November. Comments from Barnier have been getting incrementally more positive with a possible one off summit on November 13th being proposed. Sterling bounced on the latest Brexit news flow.

The UK's base rate remained unchanged, following a unanimous monetary policy committee 9-0 vote to keep rates on hold. The Bank of England was positive on growth and consumer spending, however, this was balanced by cautious commentary on the risks related to a hard Brexit.

UK GDP grew +0.3% (month on month) in July, its fastest pace since 2016. UK unemployment remained at multi-decade lows of 4.0%, while average weekly earnings grew 2.6% in July, an increase from 2.4% in June. Mark Carney announced he would fulfil his full tenure as BoE Governor through to 2020.

US equities made limited gains. President Trump's $200bn tranche of tariffs is still pending, but could be implemented imminently with Trump saying specifically that they could come "at short notice".

Investor sentiment in Europe was helped by conciliatory comments from Italy's Finance Minister, Giovanni Tria, regarding Italy's imminent budget. Furthermore, Deputy Prime Minister, Salvini, said in an interview that Italy will respect the 3% deficit limit and that new fiscal policies will be implemented over a 5-year program.

The Italian 10 year sovereign bond yield fell below 3% to 2.902% and taking it to its lowest level since August 9th. European equities rallied from earlier losses, with the STOXX 600 finishing +0.74%.

In Sweden, the far-right Sweden Democrats made gains in the national election. Coalition talks found themselves in a stalemate, with the country now facing a hung parliament.

In Asia, both the Shanghai Composite and Hang Seng indices remained underperformers. It's worth noting that the Shanghai Composite index temporarily traded below its December 2014 level, and that is has now fallen over 25% from its YTD peak. In contrast, Japan's Nikkei and Korea's Kospi indices crept marginally higher. At the week's end Asian markets received a welcome boost, as attempts from the US to restart trade talks with China raised investor optimism.

Oil (WTI) rose to $68.96 over supply fears related to Hurricane Florence, as the storm continued to bear down upon the US East coast.

The US 10 year Treasury yield closed higher at 2.97% after trading as low as 2.94%, while the UK 10 year gilt closed higher at 1.52%.

Global Markets	**2018 YTD %***
FTSE 100	**-1.97**
S&P 500	**+10.13**
Dax	**-6.67**
Nikkei 225	**+1.32**
Hang Seng	**-6.83**
Fixed Income	**Yield %**
UK 10 Yr	**+1.52**
US 10 Yr	**+2.97**
Commodities	**2018 YTD %**
Gold	**-7.39**

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

Ascencia Investment Management • Frenkel House • 15 Carolina Way • Salford • Manchester • M50 2ZY • T +44 (0) 161 886 8000 • W www.ascenciaim.co.uk
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