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INVESTMENT MANAGEMENT

Weekly Investment Update

The week in review

- EU Summit ends in Brexit disappointment
- S&P 500 reaches another new all time high
- Sovereign bond yields rise
- Asia and EM recovers from year lows

In terms of Brexit, there was no breakthrough in negotiations at the Salzburg Summit of the EU's 27 leaders in Austria, with the French and German leaders striking a downbeat tone in the wake of the meeting. EU Commission President, Juncker, said a Brexit agreement was still "far away," while Irish PM Varadkar stated that negotiations were no closer to a conclusion than they were in March.

Furthermore, Prime Minister Theresa May told EU leaders there would be no second referendum, no extension to talks, and that the UK will leave the EU in March 2019

The lack of progress did not hurt sterling, however, the pound approaching a two month high versus the dollar.

In terms of UK economic data, UK inflation was stronger than expected, rising unexpectedly in August to 2.7%, its highest level in six months. while RPI came in at +3.5%.

Over in the US, the S&P 500 reached another new all time high for the 19th time this year. The industrially focused Dow index also followed suit. President Trump formally announced the implementation of the next round of punitive tariffs on imports from China. The levies will take effect on 24 September and will cover US\$200bn of goods, including some consumer goods. The initial tariff rate will be 10%, rising to 25% on 1 Jan 2019.

In Europe, the STOXX 600 rallied achieving its longest upward streak since early July. Germany's DAX and France's CAC indices also participated in the equity rally.

In Italy, it was reported that Deputy Prime Minister Di Maio was calling for an increase in Italy's budget deficit to 2.5% of GDP. However, since then, conciliatory words were later offered by PM Conte that Italy's budget deficit would not exceed 2% next year.

Over in Asia, markets recovered from recent lows, Japan's Nikkei Hong Kong's Hang Seng and China's Shanghai Composite indices all achieving solid gains. Emerging markets rallied as well, with the MSCI EM index advancing over the week.

The US 10 year Treasury yield moved to a year to date high, eventually finishing at 3.06%. The

UK 10 year gilt yield also rose, closing at 1.60%, its highest level since February. Lastly, the German 10 year Bund yield also increased to its highest level since May.

Oil (WTI) closed at \$70.77, the oil market continuing to be pulled in two directions, as US production coupled with an increase in Russian output kept downward pressure on prices, while sanctions on Iran exports and continuing problems in Venezuela increased supply concerns.

Global Markets	2018 YTD %*
FTSE 100	-0.15
S&P 500	11.16
Dax	-4.58
Nikkei 225	+4.58
Hang Seng	-5.18
Fixed Income	Yield %
UK 10 Yr	+1.58
US 10 Yr	+3.06
Commodities	2018 YTD %
Gold	-7.24

Source: FE Analytics/
Bloomberg.com

*Local
currency/TR

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