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INVESTMENT MANAGEMENT

Weekly Investment Update

The week in review

- Brexit outcome continues to make headlines
- US, Canada and Mexico reach revised trade agreement
- Italian budget agreed at 2.4% GDP deficit
- Brent Crude Oil continues to rise

In a BBC interview this week Prime Minister May mentioned that the Chequers plan is still her main Brexit deal offer. The PM is also considering to allow checks on goods to take place between Northern Ireland and the UK mainland.

However, in return for this she will aim for the whole of the UK to remain within the EU's customs union. Two members of the coalition spoke out against this proposal, with the DUP's leader Arlene Foster saying she opposes "any form" of border in the Irish sea. Along with the DUP's longest-serving MP Jeffrey Donaldson who said that the border issue is a "red line", creating further uncertainty around any proposed deal happening. The PM suffered a further set back when Boris Johnson attacked the proposal at the Conservative party conference.

Earlier on in the week the main news was a deal between the US and Canada to replace NAFTA, which included Mexico. This new deal which is expected to be signed by the end of November, is to be called the US-Mexico-Canada agreement, or USMCA. This pushed US equities higher with large caps benefitting the most with greater exposure to foreign markets.

The yield on 10-year Treasuries, which is generally a benchmark for global borrowing, rose to the highest level since 2011 due to growing optimism on the strength of the U.S. economy. Stocks also rose along with the spike in the yield, which pushed them above previous highs. This was a result of stronger than expected reports on U.S. services and payrolls. This was also boosted after the Federal Reserve lifted interest rates last week. Fed Chair Powell confirmed this week that he is favour of continued gradual rate hikes.

At the end of last week the Italian budget dominated market attentions. The Italian government agreed a budget deficit target of 2.4% of GDP over the next three years. Deputy PM Luigi Di Maio stated that the government would not withdraw from the 2019 budget by even a "millimetre". Italian equities underperformed sharply, with the FTSEMIB shedding -3.72% versus the Euro Stoxx 600's -0.83% fall.

Elsewhere in Europe, Greek assets had a volatile time with increasing concern about the their banking system.

Over in Asia, markets have finished the week negatively, in particularly the Nikkei and Hang Seng, as a risk off environment continues. Markets remain closed in China for a national holiday.

Instability within Emerging Markets continued, with the announcement of CPI data in Turkey, coming in at 6.3% vs 3.4% expected. This resulted in a decline in the lira by c.1.0%.

Oil prices continued to rally with Brent Crude oil moving up 4.97% to its highest level since 2014. In Europe, with energy stocks leading gains as Brent crude oil eclipsed $85 and to a new four-year high.

Global Markets	2018 YTD %*
FTSE 100	**+1.29**
S&P 500	**+10.16**
Dax	**-6.15**
Nikkei 225	**+6.18**
Hang Seng	**-4.35**
Fixed Income	**Yield %**
UK 10 Yr	**+1.69**
US 10 Yr	**+3.22**
Commodities	**2018 YTD %**
Gold	**-7.74**
Source: FE Analytics/ Bloomberg.com	****Local currency/TR***

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