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INVESTMENT MANAGEMENT

Weekly Investment Update

The week in review

- Global equities sell off with a market correction
- Equity market volatility increases
- IMF cuts global growth forecast for 2018 and 2019
- WTI Oil heads for biggest drop since July

Equity markets continued their sell-off this week with Asia and U.S. equities being hit the hardest. On Wednesday U.S. equities had their worst day since February (S&P 500 and Dow Jones) and the NASDAQ suffered its largest daily fall since June 2016. It is believed that this fall was merely a market correction rather than a fundamental sell off. U.S. Treasury Secretary Steve Mnuchin stated that the fundamentals of the U.S. economy remain strong and that it is not surprising to have seen the market has had this correction given how well they have performed.

Over in the U.S. the Federal Reserves' Kaplan said that pressures around inflation are increasing but he doesn't expect it to 'run away from us'. He also reiterated that he is comfortable with three more rate hikes before next June. Mr Williams, of the Federal Reserve, expects the US economy to grow by c.3% in 2018 and 2.5% in 2019. With expectation for unemployment to reduce to below 3.5% in 2019. On Thursday,

U.S. figures came in weaker than expected +0.1% with hurricane disruptions causing a significant impact.

On Tuesday, sterling rallied 0.41% against USD, with reports that the EU and UK will come to an agreement around the Northern Ireland issue at next week's EU Council meeting.

Italy's budget continues to make headlines with the Italian deputy PM Matteo Salvini stating that a potential rating downgrade wouldn't move the budget target.

The IMF cut the global growth forecast for 2018 and 2019 to 3.7% from 3.9%, this week, while keeping their forecast for 2018 US growth unchanged at 2.9% but reduced its 2019 forecast for US to 2.5%, due to trade conflicts. They noted the impact of the global trade war saying it could hit global growth by more than 0.8% in 2020.

Over the weekend it was announced in China that the People Bank of China lowered the RRR for the fourth time this year. The equity market in China was closed last week but reopened on Monday with heavy losses. The CNY also depreciated and hit its weakest since level since mid-August at 6.898.

Looking at Emerging Markets, Turkey's finance minister Berat

Albayrak announced a plan to reduce inflation, including price cuts and lower bank loan rates. Over in South Africa, Finance Minister Nene resigned after a corruption scandal and has been replaced by Tito Mboweni, a former central bank governor. Tito Mboweni has a reputation as an advocate of Fiscal Policy and the markets reacted to his with the Rand rallying 1.88% against the dollar. Elsewhere, the first round of Brazil's election took place over the weekend with the far-right candidate Jair Bolsonaro emerged as the clear winner with 46.2% of the vote, pushing Brazilian assets higher. The margin of victory is larger than the polls had suggested with the next round due on 28th October.

WTI Oil heads for its worst week since July driven by the equity sell off

Global Markets	2018 YTD %*
FTSE 100	-5.64
S&P 500	+3.58
Dax	-10.67
Nikkei 225	+0.85
Hang Seng	-12.69
Fixed Income	Yield %
UK 10 Yr	+1.69
US 10 Yr	+3.18
Commodities	2018 YTD %
Gold	-6.43

Source: FE Analytics/
Bloomberg.com

*Local
currency/TR

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