Weekly Investment Update

The week in review

- UK base rate remains unchanged
- UK GDP forecast growth upgraded to 1.9% in 2019
- President Trump to meet Xi Jinping to discuss trade
- Brazil elects a "market friendly" President

The Bank of England's monetary policy committee voted unanimously to leave UK interest rate unchanged at 0.75%. The Bank also warned that a no-deal Brexit could force interest rates higher

Elsewhere, Chancellor Philip Hammond's Budget speech revealed that the Office for Budget Responsibility (OBR) had increased its 2019 growth forecast to 1.6% from 1.3%. He added that austerity was coming to an end, as proposed tax cuts were brought forward to April 2019 and that UK government borrowing is now expected to be £11.6bn lower this year.

Sterling bounced from recent lows, as Dominic Raab, the Brexit Secretary, said a Brexit deal could be reached by November 21st.

After last week's global equity declines, surprisingly the S&P 500 index temporarily slipping into negative territory year to date, investors were relieved to see strong US GDP data, revealing the economy growing at 3.5% annualised.

On the Continent, S&P, the credit rating agency, downgraded Italy's ratings outlook to "negative"but maintained the country's BBB rating status. This was a positive surprise, as the agency could have followed Moodys in downgrading Italy to the last notch of investment grade.

In Europe, the STOXX 600 temporarily dropped by over 2%, to its lowest level since 2016, while Germany's export led index DAX also underperformed. Both recovered later in the week. Euro-area growth was reported to be at the weakest level in four years, while Euro-area headline inflation in October was in line with forecasts at 2.2%.

Turning to Asia, China's October Purchasing Managers Index (PMI) composite reading came in at 53.1 vs. 54.1 in previous month. PMIs fell below 50 in Taiwan, Malaysia and Thailand in October, all export driven economies, ultimately revealing the impact of the trade war on the wider region.

There were rumours that Mr Trump had offered to meet Chinese President Xi Jinping on December 1 in Buenos Aires, after the G20 summit, an invitation China has tentatively accepted. The possible unwinding in the trade war helped Japan's Nikkei index, together with China's Hang Seng, Shanghai Composite indices rally, along with most Asian markets.

On the geo-political front, Brazil elected Jair Bolsonaro as President. Brazilian risk assets consequently rallied, as he is viewed favourably by the markets.

After leading her country for 13 years, German Chancellor Angela Merkel announced her intention to quit as head of the Christian Democratic party.

Sovereign bonds rallied globally, as investors sought safe havens, The US 10 year Treasury yield closed down at 3.2%, while the UK 10 year benchmark gilt finished at 1.5%.

Oil prices fell to a two month low, Brent crude touching $73.03. There were reports that China and India, the top two buyers of Iranian oil, will defy American sanctions and continue to buy imports from Iran.

Global Markets	2018 YTD %*
FTSE 100	**-4.13%**
S&P 500	**+4.09**
Dax	**-11.20**
Nikkei 225	**-3.07**
Hang Seng	**-12.15**
Fixed Income	**Yield %**
UK 10 Yr	**+1.48**
US 10 Yr	**+3.16**
Commodities	**2018 YTD %**
Gold	**-5.20**

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

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