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INVESTMENT MANAGEMENT

Weekly Investment Update

The week in review

- EU signs Brexit Withdrawal Agreement
- Brexit parliamentary vote is confirmed as 11 December 2018
- US and China meet at G20 meeting
- Italy shows signs of budget compromise

In terms of Brexit news, EU leaders signed off the Withdrawal Agreement as European leaders stated that there was no better deal on offer.

Prime Minister May now faces the challenge of getting the draft Brexit deal through Parliament and into the UK lawbooks. Theresa May will try to sell the deal to parliament on December 11 2018. Elsewhere, the Bank of England warned that the UK economy could shrink by 8% within a year. A myriad of outcomes are possible.

Equity markets were buoyed by a dovish speech during the week from Jerome Powell, Fed Chairman, who opined that US interest rates were now "just below" neutral. Investors took the news positively, the S&P 500, Nasdaq and DOW all rallying over 2%. His comments were a notable shift from his language on October 3, when he said "we're a long way from neutral at this point." It appears there may be a pause in US rate hikes next year.

The US/China trade war also remained in the news at the G20 meeting in Argentina. President Trump stated that if he could not make a deal with China this week, he would also "put tariffs on the rest of Chinese imports that are currently not subject to duties" worth US$267 billion.

In relation to Italy's budget standoff with the EU, Italy's Deputy Premier Salvini seem to offer some compromise on Italy's 2.4% budget deficit proposal. This softer stance was a catalyst for an improvement in investor sentiment, as Europe's bourses initially rallied, before retreating by the end of the week.

In Europe, the slowing economic trend witnessed in the latter half of the year continued, preliminary November's purchasing managers (PMI) data for the composite euro area slipping to 52.4, compared to consensus expectations for 53.0.

Asian markets also rebounded on the better news flow, with the Nikkei, Hang Seng, Shanghai Comp and Kospi indices all up. In terms of data releases, Japan's preliminary November manufacturing PMI also softened to 51.8 from 52.9 in the previous month.

Elsewhere, geo-political tensions came to the fore, Ukraine's Navy stating that three of its ships had been captured by the Russian military.

In terms of the commodity complex, oil (WTI) fell below $50 per barrel for the first time in a year due to continuing production increases from both Saudi Arabia and US shale companies. Oil's price fall in the last two months has been remarkable.

Turning to benchmark sovereign bonds, the US 10 year Treasury yield briefly fell below 3% before eventually closing at 3.01%, while the UK 10 year gilt closed at 1.34%. Notably, both benchmark yields were down from year to date highs.

Global Markets	2018 YTD %*
FTSE 100	-4.69%
S&P 500	+4.2%
Dax	-12.5%
Nikkei 225	-0.5%
Hang Seng	-8.5%
Fixed Income	**Yield %**
UK 10 Yr	+1.34%
US 10 Yr	+3.01%
Commodities	**2018 YTD %**
Gold	-8.2%

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

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