ascencia™
INVESTMENT MANAGEMENT

Weekly Investment Update

The week in review

- Brexit takes centre stage
- Brexit uncertainty at all time high
- Sterling falls
- Sovereign bond yields compress
- ECB confirms end of bond buying programme

UK equities fell over the week in response to Prime Minister May's cancellation of the parliamentary vote on on the EU Withdrawal Agreement. PM May is now seeking 'further reassurances' that the UK could leave the Irish backstop mechanism unilaterally. However, Donald Tusk, the President of the European Council, has already ruled out reopening the draft Withdrawal Treaty for further negotiations, leaving Theresa May in a precarious position.

As a consequence, PM May faced a vote of no confidence. She ultimately won the vote , winning 200 out of 317 votes, meaning that she can now focus on securing a good Brexit deal. Currency markets seem to agree, with the pound slipping on the outcome of the vote.

With all the uncertainty, the FTSE 100 retreated, with the FTSE 250 mid cap index slipping particularly sharply. Sterling also responded negatively, falling against both the US dollar and euro, sending it to its lowest point in 18 months.

Interestingly, MPs will now be allowed to propose their own amendments to the Government's plan, which could lead to either a "no deal", a second referendum or a "soft" Brexit outcome.

In the UK, October's unemployment rate was confirmed at 4.1%, with average UK weekly earnings growing at +3.3% year on year, the fastest pace of wage growth in over ten years.

Elsewhere, US equities fell on deteriorating investor sentiment despite the US unemployment rate remaining unchanged at 3.7% and average hourly earnings rising 3.1% year on year.

Weaker growth in Europe was not enough to deter the European Central Bank (ECB), which announced it would stick to its intended plan to end its asset purchase program in December. The ECB also maintained its interest rate guidance to keep rates unchanged at least through until the summer of 2019, but will reinvest maturing debt beyond that time frame.

Over in Asia, markets largely initially traded higher, with Japan's Nikkei, Hong Kong's Hang Seng and China's Shanghai Comp indices all moving up as US President Trump expressed optimism over state of the US-China trade talks before retreating at the week's end. In terms of data, Japan's final Q3 GDP fell by -2.5%, its largest contraction since Q2 2014.

In terms of commodities, oil (WTI) down fell to $52,4, as data showed that US oil inventories remained robust. Within the agricultural commodity complex, soybean prices rose, as China resumed purchases for the first time since tariffs were put in place.

Turning to fixed income, sovereign bond yields continued to benefit from their safe haven status, the US 10 year treasury yield closing at 2.89% and the UK 10 year Gilt yield at 1.26%. Meanwhile, German 10 year Bund remained in strong demand, the yield closing at 0.25%. It is noteworthy that the German benchmark Bund yield is currently lower than it was when ECB began its quantitative easing in March 2015.

Global Markets	2018 YTD %*
FTSE 100	-6.9%
S&P 500	+1.0%
Dax	-15.4%
Nikkei 225	-2.5%
Hang Seng	-8.2%
Fixed Income	**Yield %**
UK 10 Yr	+1.26%
US 10 Yr	+2.89%
Commodities	**2018 YTD %**
Gold	-5.2%

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

Ascencia Investment Management • Frenkel House • 15 Carolina Way • Salford • Manchester • M50 2ZY • T +44 (0) 161 886 8000 • W www.ascenciaim.co.uk
Authorised and regulated by the Financial Conduct Authority Registered in England and Wales No. 05010380
Ascencia Investment Management is a subsidiary of Frenkel Topping Group Plc and is authorised and regulated by the Financial Conduct Authority No: 409409