ascencia™
INVESTMENT MANAGEMENT

Weekly Investment Update

The week in review

- PM May's "Withdrawal Agreement" is rejected by Parliament
- UK inflation falls to its lowest level in nearly two years
- EU area faces slowing economic growth
- China's economy hurt by trade wars

Prime Minister Theresa May's EU, however, she subsequently won the confidence vote in the Government. Sterling promptly rallied on the news.

Markets took heart from PM May's offer of cross-party concessions and the possibility of the 29 March hard Brexit deadline being extended.

It was also reported that the EU27 is considering extending the Article 50 deadline until July, should the UK request it, in order to extend beyond the EU Parliamentary election. If this news is verified, it would ultimately reduce the probability of a hard Brexit outcome.

As it stands PM May needs to come back by Monday with a plan B.

Elsewhere, official data revealed that the UK's economy slowed in the three months to November, expanding by only 0.3%, compared to the previous quarter. Meanwhile UK inflation fell to its lowest level in nearly two years in December, mainly due to lower oil costs. The ONS reported UK inflation (CPI) to be 2.0% in December. CPI is forecast to remain in line with the Bank of England's targeted rate of 2% in 2019. This may reduce the likelihood of further interest rate rises in the near term.

On the Continent, Euro-area November industrial production data was worse than predicted, the year on year reading falling to -3.3%, the lowest level since 2012. Germany's and France's economies appear to be slowing, trade wars undermining exports. Germany's GDP growth fell to 1.5%, its slowest rate in about six years. Economists are increasingly concerned that Germany may be falling into a technical recession in Q1 2019.

In Asia, there was further bad economic news. Chinese exports fell 4.4% to a two year low, largely owing to the trade war with the US. The data caused a dip in global stock markets as investors feared further cooling of the global economy. In response, authorities in Beijing promised more measures to help the ailing economy, including tax cuts "on a larger scale" and support from monetary policy. Stocks in the region reacted positively to the announcement.

In terms of sovereign bonds, the 10 year US Treasury yield crept higher to close at 2.76%. In Europe, the German benchmark closed at 0.25%, while the UK 10 year gilt yield closed at 1.34%.

In terms of commodities, gold proved to be resilient closing at US$ per ounce, as investors sought safe haven assets, while palladium reached an all- time high, closing at US$1,114 per ounce.

Global Markets	2018 YTD %*
FTSE 100	+0.01%
S&P 500	+4.7%
Dax	+1.4%
Nikkei 225	+4.3%
Hang Seng	+4.4%
Fixed Income	**Yield %**
UK 10 Yr	+1.34%
US 10 Yr	+2.76%
Commodities	**2018 YTD %**
Gold	+028%

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

The information provided is not to be treated as specific advice. It has no regard for the specific investment objectives, financial situation or needs of any specific person or entity. The investments discussed in this document may not be suitable for all investors. Investors should make their own investment decisions based upon their own financial objectives and financial resources and, if in any doubt, should seek advice from an investment advisor. Safety First Portfolios are a range of investment solutions developed by Ascencia Investment Management to cover a variety of investment needs. Safety First Portfolio solutions are some of the models that sit within this.

Ascencia Investment Management does not make any warranties, express or implied, that the products, securities or services mentioned are available in your jurisdiction. Accordingly, if it is prohibited to advertise or make the products, securities or services available in your jurisdiction, or to you (by reason of nationality, residence or otherwise) such products, securities or services are not directed at you.

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