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INVESTMENT MANAGEMENT

Weekly Investment Update

The week in review

- The IMF cut its forecast for the global economy
- Brexit 'Plan B' vote to be held on the 29th January
- Sterling reaches its highest level since January 2018
- China posts its slowest growth rate in three decades in 2018 at 6.6%

The IMF cut its forecast for the global economy, predicting it will grow at its weakest in three years in 2019 due to trade tensions, slowing demand across Europe, and uncertainty in financial markets. It is the IMF's second downgrade in three months.

The IMF's Managing Director Christine Lagarde stated "after two years of solid expansion, the world economy is growing more slowly than expected and risks are rising. Does that mean a global recession is around the corner? No. But the risk of a sharper decline in global growth has certainly increased."

In terms of Brexit, after the historic defeat of her Withdrawal Bill last week PM Theresa May is expected to announce her 'Plan B' on the 29th January. PM May will seek to strike further concessions with the EU to clear up the contentious Irish backstop mechanism. Eurosceptic Conservatives, along with the DUP party, have reservations about the UK's inability to leave the Irish backstop unilaterally, meaning the UK could remain in the EU for the foreseeable future via a loophole in the agreement.

This week saw sterling's largest daily gain since PM Theresa May successfully fought off a vote of no confidence from her own party in December. The announcement by John McDonnell, the Shadow Chancellor, that it is highly likely the Labour party would back MP Yvette Cooper's amendment next week prompted the flurry of sterling strength. The amendment, should it be voted through would categorically rule out a no-deal scenario.

In Asia, the major indexes rose after U.S treasury Secretary Steve Mnuchin said the US and China were "making a lot of progress" with the trade talks prior to meeting Chinese VP Liu He next week.

China released important data this week, confirming the lowest annual growth rate of 6.6%, its lowest since 1991.

In the US, there were better-than-expected earnings reports from Procter & Gamble, United Technologies and IBM. S&P 500 earnings are running +14.2% higher year on year so far.

Turning to commodities, a turn in the oil price along with little sign of progress on the government shutdown saga appeared to be the catalyst to turn down sentiment from the highs. Oil prices edged up over the week as turmoil in Venezuela increased the chances of tighter global supply if the US makes good on signals that it could impose sanctions on Venezuelan exports.

Looking at sovereign bonds, the 10 year US Treasury yield slipped lower to close at 2.72%. The UK 10 year gilt yield also fell to 1.27% and in Europe, the German Bund closed at 0.19%.

Global Markets	2018 YTD %*
FTSE 100	-0.23%
S&P 500	+4.43%
Dax	+3.37%
Nikkei 225	+5.18%
Hang Seng	+5.83%
Fixed Income	**Yield %**
UK 10 Yr	+1.27%
US 10 Yr	+2.72%
Commodities	**2018 YTD %**
Gold	-0.11%

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

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